FINANCIAL TIMES

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The long-distance miners of South Africa, Page 10

World news | Business summary

Ten killed as Punjab peace call fails

Ten people, including three children and three terrorists, were killed in one of the worst days of violence in the Punjab.

Police shot dead Harminder Singh Shammi, chief of a local Sikh association, during disturbances in the holy city of Amritsar as Indian Prime Minister Rajiv Gandhi's year-long effort to bring peace to the Punjab appeared close to collapse.

More than 20 people have been killed in three days of unrest while politicians from the Indian and the state governments have failed to agree on the terms to hand over the city of Chandigarh to be the sole capital of the Punjab. Page 2

Kohl summit hopes

West German Chancellor Helmut Kohl welcomed recent US and Soviet statements on arms control and said prospects had improved for another US-Soviet summit this year.

Terrorism accord

US Attorney-General Edwin Meese arrived in Rome for talks with Italian leaders during which he will sign an agreement to fight international terrorism, organised crime and drug trafficking.

Poles detained

Two leading Polish opposition figures, Jacek Kuron and Jan Jozef Lipski, were detained by police after attending a rally marking the 10th anniversary of a factory strike near Warsaw.

Vietnam reshuffle

Eight members of the Vietnamese Government, including a senior figure in the politburo, have been removed from their posts following the failure of economic reforms introduced over the past year. Page 3

Tamil bomb blast

Security authorities imposed an overnight curfew on the farming district of Kantalai in eastern Sri Lanka after a bomb planted by Tamil guerrillas had exploded in a crowded market, killing two people and injuring 20.

Pro-Marcos rally

Police let off smoke bombs and used truncheons and water cannon to disperse 2,000 stone-throwing supporters of ousted Philippine leader Ferdinand Marcos who blocked a road outside a military camp near Manila.

Iran denies shelling

Iran said its warplanes had bombed and damaged "economic centres" in north-east Iraq but denied a Baghdad report that its long-range artillery had shelled Basra.

Peru prison pledge

Peruvian vice president Luis Sanchez said the Government would punish any excesses by the army last week in putting down riots at three prisons where at least 250 inmates were killed. Former West German Chancellor Willy Brandt, in Lima for the Socialist International, called for foreign observers at an inquiry. Page 3

Grenade attack

A grenade thrown by a motorcyclist injured one person when it exploded outside the offices of the Islamic Republic newspaper in Tehran.

Plotters executed

Seven people found guilty of plotting to overthrow Ghanaian leader Jerry Rawlings were executed by firing squad, Accra radio reported.

All-clear for Reagan

President Reagan was told that two small growths removed from his colon during a cancer check were benign and that the tests showed him to be in good health.

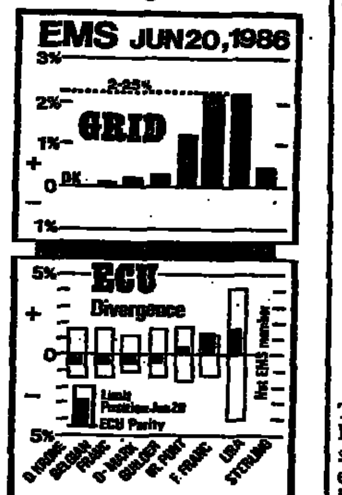
Argentine victory

Argentina beat England 2-1 in the quarter final of the World Cup in Mexico City, ending England's chances of competing for the trophy this year.

Regulators close 5 S&Ls in Louisiana

US federal regulators closed five Louisiana savings and loans associations and transferred their combined assets of $564m to a new savings bank set up to take over the assets of another failed institution. Page 19

EUROPEAN Monetary System: The D-Mark was slightly firmer against the French franc in the EMS last week, following a cut in French money-market intervention rates. There were hopes that this might lead to a stronger D-Mark which would allow the Bundesbank to cut its discount rate. However, German money supply continues to grow at an unsatisfactory rate while the French authorities have made it clear that they will not be leading a concerted fall in rates. The Danish krone was the weakest member, followed closely by the Belgian franc.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

TOKYO: Shares hit another record on Saturday, and the Nikkei market average added 51.73 to a peak 17,454.86. World stock markets, Page 31

MEXICO's political establishment made three swingeing attacks on Jesus Silva Herzog, replaced as Finance Minister without explanation. Page 3

WEST GERMAN federal government new net borrowing may have to rise next year to help compensate for a sharp fall in the transfer of Bundesbank profits, Finance Minister Gerhard Stoltenberg warned. Page 2

THE US Government said it would go to court to block two takeovers in the American soft drinks industry which would have given Coca-Cola and PepsiCo a combined share of 80 per cent of the market. Page 18

ARGENTINA's creditor banks agreed to release remaining $600m of the $4.2bn loan arranged for the Alfonsin Government last year. Page 2

TURKEY and Iran signed a $2.2bn trade agreement after a week of talks. Page 4

BANK OF ITALY approved 504 of 2,787 requests by banks to open new domestic branches, the first major authorisation since 1982.

AEG, West German electrical group controlled by Daimler-Benz, had sales of DM 3.9bn ($1.74bn) for the first five months. Page 19

EUROPA, the satellite television channel created by five European public service broadcasting organisations, will be available in the UK from July 1.

BRITISH economic prospects this year are gloomier than previously forecast but better for 1987 and 1988, said the London Business School. Page 6

UK MACHINE TOOL sales rose 20 per cent in cash terms to £603m ($904m) last year, the second successive increase following a low in 1983.

WALES TUC accused Welsh Secretary Nicholas Edwards of adopting a bunker mentality because he turned down seven requests for meetings in 2½ years. Page 5

Opec meeting faces discord over surge in output

BY RICHARD JOHNS IN LONDON

THE SURGE in oil production by the 13 members of the Organisation of Petroleum Exporting Countries (Opec) to at least 18.5m-19m barrels a day during the first half of June will be the subject of confusion and contention at the organisation's meeting this week.

The meeting, the sixth this year, which starts on Wednesday on the island of Brioni in the Adriatic, will have to consider why this surge, to the highest level since the end of 1983, has occurred at a time that in past years would have been a seasonal summer trough.

During the second quarter of last year Opec output slumped to less than 15m b/d. When Opec last met in Geneva two months ago experts of the majority of member states decided that the likely requirement for the group's crude output would be 16.3m b/d during the second quarter.

The triple alliance of Algeria, Iran and Libya, which pressed for lowering of the 16m b/d ceiling still notionally in force to 14m b/d – put the likely demand at little more than 15m b/d.

Projecting demand is a hazardous exercise at the best of times, not least because of the unpredictable movement of stocks. It will probably take another two months before analysts have a precise knowledge of what happened in May and June.

For its part the International Energy Agency (IEA), in its latest market report published two weeks ago, estimated Opec production – and, therefore, actual demand for it – at 17.3m b/d. That was in line with an upward revision in its forecast for increased consumption in the industrialised world, with a 3 per cent rise projected for the April-June quarter compared with the same period of 1985.

The IEA also forecast a build-up of commercial stocks following a 1.3m b/d drawdown in the first quarter which continued untypically into April and May when stocks are normally replenished. Oil company inventories are now at their lowest level since 1974 and may have reached rock bottom as far as operational requirements are concerned.

It is possible that demand has been higher than the IEA and other forecasters expected. Opec may also have priced more oil out of the market than the 800,000-900,000 b/d generally estimated – an imponderable of great significance for the Brioni meeting.

What is clear, meanwhile, is that the market is now awash with oil. The price for Brent Blend on the spot market has slid from $14.50 in mid-May to a little over $11.50 at the end of last week. It is in immediate danger of crashing below $10 to the low point reached after Easter. The current price of Arabian Light is around $10.50 under the Saudi "netback" deals whereby the price is related to refining and transport costs as well as an agreed profit margin.

That in itself must be a cause for concern to all members of Opec. The big volume of output since early May is bound to exacerbate the differences between the two main factions: the majority in favour of taking full advantage of any increase in demand with the aim of redistributing a market share of 18m b/d in the autumn and raising prices to $17-19 by the end of the year; and the triple alliance calling for a lower ceiling than the one theoretically in force, with Saudi Arabia bearing the brunt of the reduction, as a means of raising per barrel revenue to $28 as rapidly as possible. More seriously it could undermine the compromise so painfully achieved in Geneva and gravely jeopardise, if not destroy, the chances of winning the meaningful collaboration of non-member producers.

Essentially that compromise was that Opec would seek to maintain a measure of production discipline rather than pursue indefinitely an all-out price war which only its chief protagonists – Saudi Arabia, Kuwait and the United Arab Emirates – could survive financially, rather than follow a more gradual approach to the recovery of market share.

The majority hope was that the Brioni meeting would go some way towards agreement on quotas under a ceiling of 18m b/d which demand should make possible by the end of the year. An accord of some plausibility might be reached, if not at this meeting, at a subsequent one even if it was not endorsed by Algeria, Libya and Iran.

Pretoria silences opposition groups with new curbs

BY JIM JONES IN JOHANNESBURG AND STEWART FLEMING IN WASHINGTON

THE SOUTH African Government has tightened its emergency measures with the banning at the weekend of the publication of statements by more than 100 anti-apartheid groups in the Western Cape.

The move came amid speculation that the blanket state of emergency might be lifted with the Government exercising extraordinary powers under new legislation expected to be signed into law by President P.W. Botha.

The passing of the law despite opposition from coloured and Indian members of the tricameral Parliament, has led leaders of these groups to call into question their future participation in the assembly.

The planned legislation would give the Government authority to declare any part of the country an "unrest area" and detain people without trial for up to 180 days.

The new measures brought one of the toughest statements yet from the US. Mr Chester Crocker, the Assistant Secretary of State responsible for African affairs, condemned the efforts to tighten security and crack down on dissent.

He said: "The South African Government has shot itself in both feet with these measures of repression... That is all they are," he said. "There are more than enough means of security laws and repression existing in South Africa without all these added measures which simply get in the way of any possible dialogue."

Mr Crocker's comments on US television follow last week's vote in the House of Representatives calling for a complete US economic embargo of South Africa. Republican hopes that by not opposing such punitive legislation they would weaken support for sanctions appears to have backfired, and pressure for tougher US action against Pretoria is mounting.

The Rev Allan Hendrickse, leader of the coloured Labour Party, has said that his party would review its participation in the tricameral parliamentary system following the railroading by the President's council the legislation towards presidential approval.

Earlier, Mr Amichand Rajbansi, leader of the Indian National People's Party (NPP), warned that a council decision against the majority wishes of the coloured and Indian houses would call into question the tricameral Parliament's effectiveness.

On Saturday, police in the Western Cape banned publication in the area of statements by officials of 118 organisations including the United Democratic Front (UDF), the Congress of South African Trade Unions (Cosatu), the Release Mandela Campaign, the National Education Crisis Committee (Necc) and the End Conscription Campaign.

Though the ban is superficially intended to prevent publication in six magisterial districts centred on Cape Town, in practice it is more extensive. National newspapers which sell in the affected areas are effectively debarred from quoting officials of the listed organisations. So, too, are the Government-controlled national television and radio services, though their reporting of the security situation rarely, if ever, contains anything which does not support government policy.

The only official source of information remains the Government's Bureau for Information, the accuracy of whose reports has been questioned.

Yesterday the South African Bureau for Information reported three "minor" bomb explosions in Natal. However, early radio broadcasts indicated that one of the explosions had caused a fire which threatened a Durban oil refinery. Local Sunday newspapers reported Durban police as saying that patrons had been evacuated from cinemas and restaurants after another explosion in Durban's beachfront area.

The bureau has agreed that its initial report on events in Soweto on June 16 contained fundamental inaccuracies while it only disclosed on Friday that security forces had accidentally shot dead a black Soweto child on Tuesday.

According to the bureau, noone died as a result of the country's "unrest" in the 24 hours up to Saturday morning while only one death was recorded in the 24 hours to Sunday morning.

Long-distance miners, Page 10; Foreign Affairs, Page 17; Fresh UK initiatives, Page 18

Gonzalez wins reduced majority in Spanish poll

BY DAVID WHITE IN MADRID

MR Felipe Gonzalez's Socialist Government appeared set for a second term of office with an outright majority of seats in Congress, according to unofficial estimates released after the close of polling in yesterday's general election.

Main surprises were a strong gain in the Basque country for the extremist party Herri Batasuna and the failure of the New Reformist Party in the centre, leaving the centre-left in a quandary over how to reconstruct its forces.

Separate estimates by state and private broadcasting networks gave the ruling Socialist Party 45 per cent of the vote compared with the 48 per cent it scored in its landslide victory four years ago.

Under Spain's proportional voting system, weighted in favour of the bigger parties, this would be enough to give the Socialists an absolute majority of the 350 seats in Congress, but fewer than its previous 202.

However, the Socialists were expected to maintain their distance over the next largest party, with the conservative Popular Coalition led by Mr Manuel Fraga estimated to have lost between 10 and 20 of its previous 106 seats, on a share of the vote falling from 26 per cent to 22–23 per cent.

Abstention rose sharply and was put at around 32 per cent, compared with 20 per cent in 1982. Observers believed this reflected apathy especially among younger people, with about 2m of the electorate of 29m eligible to vote for the first time.

The low participation appeared to have hit the centre parties in particular. The new Democratic Reformist Party launched by Mr Miquel Roca, a moderate Catalan nationalist, was seen gaining at most one seat, according to the early forecasts. However, its sister party in Catalonia, Convergencia, was expected to increase its seats from 12 to between 17 and 19.

Also in the centre, former Prime Minister Mr Adolfo Suarez was estimated to have won between 8 and 9 per cent of the vote and between 12 and 19 seats for his Democratic and Social Centre Party, compared with its previous two.

On the left, the United Left Formation created around the Communist Party was reckoned to have won between 5.5 and 7 per cent and to have doubled or tripled its previous four seats. The party was also predicted to achieve a spectacular gain in regional elections in Andalucia, which also took place yesterday, although the Socialists appeared to be assured of keeping a comfortable majority.

The biggest shock came from Herri Batasuna, the separatist Basque party aligned with the Eta terrorist organisation, which was estimated to have won between five and seven seats in the Madrid congress. The party, which does not recognise Spain's constitution, had two seats in the last parliament but left them unoccupied. Its performance contrasted with stable results for the moderate Basque Nationalist Party, which runs the regional government.

Bewitched blue chips set the pace on Wall St.

By Our US Staff

WALL STREET'S witches almost missed the party. But when they arrived last Friday afternoon, they made up for lost time, and the "triple witching hour," famed for the erratic fluctuations it generates in share prices, fully lived up to its weird reputation, sending blue-chip stock prices soaring in a matter of minutes before the final bell on the New York Stock Exchange (NYSE).

The Dow Jones industrial average ended a lacklustre week with a startling sprint in the final minutes to close the session with a 23.68 gain at 1,879.54, a fraction away from its record high. Just thirty minutes earlier, (3.30 pm Eastern Standard Time) the Dow index was up by less than 2 points in sluggish trading. Then the index and trading volume exploded as insitutional investors and Wall Street professionals began buying stocks by the bucket.

Nearly 40m shares (worth $1.7bn), or about 27 per cent of the total volume, crossed the floor as the closing bell sounded at the NYSE. It was, agreed Wall Street analysts, more like a "witching" minute rather than a witching hour."

At almost exactly the same time (2.30pm local time) 800 miles to the north, the Chicago Mercantile Exchange's Standard & Poor's 500 stock index futures pit was a seething mass of screaming, gesticulating bodies.

Runners barged in and out of the melee, relaying messages from nearby broker telephone booths, where buy orders were coming in fast and furious. Completed oder slips, dispatched with uncanny accuracy, were flying out of the pit into waiting colleagues' hands. Occasionally, a trader or order filler was knocked out of the pit, only to elbow his way back into the thick of it, usually cursing volubly. This was stockmarket trading, Chicago-style.

By 3.10pm local time, the concluding crescendo had started, building to a frenzy as the thirty-second buzzer sounded. When the bell rang to signal the end of the day's proceedings at 3.15pm Chicago time (an hour earlier than in New York), the trading pit erupted in a loud adrenalin releasing cheer.

By 3.40pm all that remained on the floor of the Chicago Mercantile Exchange was a handful of exhausted dealers, cross-checking trades amid the debris of waste paper and broken pencils. "I am glad this only happens once every three months," says a 22-year old trader.

In the aftermath Wall Street technicians agreed that investors had been treated to another stellar ex-

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Brussels concern over move to retain high-cost air fares

BY QUENTIN PEEL IN BRUSSELS

A MEETING of senior European air transport officials in Paris today is being watched with concern in Brussels, for fear it will give its blessing to the maintenance of the present high-fare, protected system in the industry.

Campaigners for gradual deregulation of civil aviation in the EEC – including the European Commission, Britain and the Netherlands – fear that the Europol group of the European Civil Aviation Conference (Ecac) will approve the continuation of a highly regulated structure on the major European air routes.

The meeting comes in the wake of last week's failure of Community transport ministers to reach any common position on air transport, and the determination of most of the European Commission to press ahead with legal action under competition laws against virtually all the national airlines.

The abortive outcome of the Council of Transport Ministers in Luxembourg has led to continuing recriminations, blaming not only the ministers for their failure to agree, but also the European Commission for refusing to put forward new proposals when compromise seemed possible.

Officials of the Dutch presidency of the Community are now contemplating putting the whole question of transport liberalisation, and the failure to make progress, on the agenda of this week's EEC summit. It would be discussed within the context of the 12 Community leaders' commitment to a barrier-free internal market by 1992.

Last week, the ministers could not decide on a Community-wide maritime transport policy, urgently sought by the industry, or on important road haulage proposals. They declined even to discuss the subject of air transport after relations became openly hostile between the chairman, Mrs Nelie Smit-Kroes, the Dutch Transport Minister, and Mr Stanley Clinton Davis, the European Commissioner responsible.

Officials in the Commission are angry that the member states claimed they could not debate the issue.

The fear that the broad lines of a Franco-German plan to preserve most of the present regulated system – including capacity-sharing deals between airlines and limited flexibility in setting fares – will emerge from the Ecac meeting, where countries favouring the status quo are in a clear majority. Ecac includes the EEC countries, plus the remainder of European operators like Switzerland, Austria, the Nordic countries and Turkey.

Some national officials in Brussels, however, blame Mr Clinton Davis, known to be lukewarm on air liberalisation, for much of the responsibility for the present debacle. They argue that he held up the Commission's latest civil aviation proposals until the first day of the Council meeting – and failed to produce a series of other promised proposals.

Although the Transport Council was simply rescheduled for June 30 – the last day of the Dutch presidency – few officials expect a clear outcome, not least because of the strain between the British Commissioner and Mrs Smit-Kroes.

The national officials say that Mr Clinton Davis failed to come forward with promised proposals on the key subject of market access to air transport routes – a vital component in any overall policy – on inter-regional services, transport infrastructure, a Euro-cabotage system for maritime transport and proposals for common speed limits on EEC highways

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OVERSEAS NEWS

World Bank on brink of taking in more funds than go in aid

BY STEWART FLEMING IN WASHINGTON

THE World Bank, the leading international agency for providing finance to developing countries, is on the brink of absorbing more funds from its borrowers in terms of interest and repayments of capital than it is disbursing in new loans.

Bank officials confirm that when the bank draws up its books this year, its net transfers to the Third World which were $2.4bn (£1.6bn) in 1985, will be close to zero for the financial year ending June 30.

The dramatic decline in the transfer of World Bank resources to the Third World coincides with a no less striking surge in repayments to the International Monetary Fund.

According to Mr Richard Feinberg, vice president of the Overseas Development Council, a Washington "think tank" which specialises in Third World economic issues and which has just published a lengthy study on the World Bank's role over the next decade, the IMF too is this year withdrawing some $4bn net from developing countries.

"We are facing the potentially disastrous scenario of the World Bank and the IMF becoming a 'drain' on the resources of developing countries," he says.

Of the World Bank, he adds: "If the (bank) ceases to be a source of net resources, its very *raison d'être* as a development *finance agency will come into* question."

Within the World Bank itself, views on the issue are divided. Some officials point out that the trend in net transfers is cyclical.

They point out, too, that the other side of the coin is that the bank does not reschedule its loans and insists on repayment, and that the sharp fall in net transfers to Third World borrowers is an aspect of the financial strength of the bank which enables it to borrow huge sums on the world's private capital markets.

The Philippines expects to reach agreement with the IMF for a new standby credit at a meeting in Manila next month, Finance Minister Jaime Ongpin told Reuter. He said the Government still had no amount in mind, adding: "Figures will be worked out when they (the IMF) come in July."

Release of hostages spurs French hopes

BY DAVID MARSH IN PARIS

THE RELEASE at the weekend of two French hostages held for three months in Lebanon has spurred hopes in Paris that another seven French nationals kidnapped in Beirut may also be given their freedom before too long. Two Cypriot hostages were also released in Lebanon.

Mr Philippe Rochot and Mr Georges Hansen, two members of a four-man television team seized on March 8, arrived home on Saturday night. This was after delicate diplomatic manoeuvring between France and various Middle East countries finally secured their release just before midnight on Friday. They looked pale and drawn.

The freeing of the two men—despite continued worries over the other French and Western hostages still imprisoned in Beirut — brings an important ray of light for the government of Mr Jacques Chirac.

The French Prime Minister was at Orly airport south of Paris to greet the two men on their arrival on a French aircraft from Damascus. He publicly thanked the Syrian, Algerian and Iranian governments for having helped in their release.

The Revolutionary Justice Organisation, which kidnapped the TV crew in the Lebanese capital, said the liberation of the two men was due to the mediation of Mr Hafez el Assad, Syrian president, as well as signs of a change in France's policies in the Middle East.

This was a clear reference to recent French efforts to improve its links with Iran, known to have influence over the fundamentalist organisations responsible for the Beirut kidnappings.

Mr Chirac has long had close links with Iraq, which has benefited from considerable French military sales to bolster its efforts in the war with Iran.

However, the Chirac Administration has started negotiations on repaying a $1bn loan granted to France by the late Shah in 1974 as part of Iran's since-aborted agreements to take part in a European uranium enrichment venture.

France also achieved the departure earlier this month from his retreat near Paris of Mr Massoud Rajavi the exiled Iranian dissident leader. Although his flight to Iraq was said by the French government to be a voluntary decision rather than formal expulsion, the dissident's departure helped mollify anger in Tehran that Paris has been supporting opponents of the fundamentalist Iranian regime.

Reuter adds: In Nicosia, a government official said two Cypriot engineering students, Stavros Yiannaki and Panayiotis Tirkas, both 25, were freed after the personal intervention of Mr Yasser Arafat, PLO chairman.

Details of Arafat's role were not available, but this was believed to be the first instance of a prominent "mainstream" Palestinian figure intervening in a Lebanese kidnap situation.

Rome casts wary eye on Sicilian elections

BY JAMES BUXTON IN ROME

ELECTORS IN Sicily were going to the polls yesterday in regional elections the result of which could have important effects on the future of the Government in Rome.

Nearly 4m electors have the right to elect 90 representatives to the Regional Council which sits in Palermo, the island's capital. The Sicilian regional government has greater powers than any other Italian region.

The largest single party in Sicily is the Christian Democrats, which won almost 38 per cent of the vote in last summer's provincial election, and 41.4 per cent in the previous regional poll in 1981. It has governed in alliance with Socialist party, which last year won 15.1 per cent of the vote, and 13.6 per cent in 1981. The opposition Communist party won 21 per cent and 17.8 per cent of the vote respectively.

The election campaign over the past few weeks has been rich with promises by leading national politicians of more state aid to assist the island's economy, but it has been most notable for the piercing insults flung at each other by Mr Bettino Craxi, the Socialist Prime Minister, and Mr Ciriaco de Mita, the Christian Democrat leader.

The battle between them is over whether Mr Craxi, who has now been in power for almost three years at the head of a five-party coalition, which includes the Christian Democrats, with abandon the prime ministership and hand over to a Christian Democrat.

If Sicilian electors vote roughly as they did in last year's provincial elections the balance of power in the five-party government in Rome is unlikely to be perceived as having changed much.

But any result which either the Christian Democrats or the Socialists could regard as a major success could seriously disrupt the relationship between the ruling parties in the national Government, and could even precipitate an early general election, which is not due officially until 1988.

Observers will be watching to see whether Mr de Mita's recent purge from the Sicilian Christian Democrat organisation of men closely connected with the Mafia, has the effect of gaining or loosing the party votes. The result of the regional elections will be known today.

W. German borrowing may rise

WEST GERMAN federal government new net borrowing may have to rise next year to help compensate for a sharp fall in the transfer of Bundesbank profits, Mr Gerhard Stoltenberg, Finance Minister, said.

Bundesbank profits, which brought the Government DM 12.6bn (£3.2bn) this year, are likely to drop by between DM 5m and DM 6m in 1987.

"This change, in purely fiscal terms, leads to certain problems and it may be that we will have to increase new net borrowing somewhat in view of this sharp fall."

A Finance Ministry spokesman said last week that the 1987 draft budget would propose a slight rise in new net borrowing to less than DM 24bn but above the 1986 target of DM 23.6bn.

The draft, to be presented to the cabinet this week, proposes federal 1987 spending should rise to no more than DM 270bn from a targetted DM 263.5bn this year, the spokesman added.

Mr Stoltenberg said his budget aim was to curb the rise in federal spending to below 3 per cent and believed he would achieve this in 1987. "Looking at things now, I see no serious risks on the expnditure side."

He was concerned about levels of federal tax income, which had increased by only 1.9 per cent in the first five months of 1986, while state tax income had risen 6 per cent.

He expected to hold negotiations with state and local authorities early next year on a more equitable distribution of tax income.

The distribution should take account of the burden on the federal budget arising from obligations to transfer a proportion of tax income to the European Community.

Jonathan Carr adds from Frankfurt: Mr Stolentenberg's remarks come as no surprise in Frankfurt. The Bundesbank is committed by law to turn over its annual profit to the federal government after making appropriate addition to its reserves.

In recent years, Bundesbank profit has been rising strikingly — and at first sight paradoxically — because of the strength of the dollar against the D-Mark.

The reason is that the central bank invests much of its reserves in dollar-denominated assets. When the dollar goes up, so too does the Bundesbank's income calculated in D-Mark terms.

Assuming the dollar makes no major rebound in the coming months, the Bundesbank's profits are likely to be smaller in 1986 than in 1985. The exact figure will only be known after the end of this year.

Chandigarh deadline put back again

By John Elliott in New Delhi

MORE THAN 20 people have been killed in the Punjab area over the past three days while central and state government politicians have failed during hours of negotiations to agree on terms for handing over the city of Chandigarh as the capital of the Punjab alone.

Three children and three terrorists were among ten people killed yesterday in some of the worst recent Sikh violence.

Mr Rajiv Gandhi, India's Prime Minister, was forced late on Friday to delay for the second time in six months his deadline for Chandigarh to cease being the joint capital of Punjab and the adjacent state of Haryana.

This is a key part of the Punjab peace accord reached by Mr Gandhi 11 months ago. His failure to push the deal through by his second deadline is providing extremists with a renewed cause for attacks on moderate Sikhs and Hindus.

The problem has arisen over the land that Haryana should receive from Punjab in return for moving out of Chandigarh in about five years time and building its own new capital. A judicial commission recommended that 70,000 acres should be handed over, but by late on Friday 25,000 acres had still not been agreed. So Mr Gandhi delayed the handover until July 15 and appointed a new one-man commission.

The Sikh's Akali Dal government in Punjab refused to accept the terms of the new commission and it was not clear last night whether it would negotiate fresh terms. The situation is complicated by a serious split in Akali Dal which has put the government of Mr Surjit Singh Banala in a precarious position, reducing its room for manoeuvre.

Mr Buta Singh, India's Home Minister, yesterday toured Punjab trouble spots and promised a new attack on extremists by police and para military forces. He also tried to mediate in the crisis to ensure that the weekend's delay on Chandigarh does not endanger the whole Punjab accord.

Banks release $600m loan for Argentina

By Peter Montagnon

ARGENTINA's creditor banks have agreed to release the remaining $600m of the $4.2bn arranged for the government of President Raul Alfonsin last year. The funds will be made over to Argentina next Monday —the day the loan agreement would otherwise have been due to lapse.

Special authorisation from bank creditors was required for the payment because of delays in persuading the International Monetary Fund to overlook Argentina's failure to meet key economic targets under its SDR1.1bn stand-by loan economic programme. This meant that disbursement of their loan by the banks could no longer automatically follow approval by the IMF of release of a *further SDR237m from its own* credit.

However, more than two thirds of Argentina's creditor banks had agreed to release the funds by Friday night. With the IMF due today to approve its own disbursement formally, Argentina will thus receive an injection of nearly $900m by the end of the month.

Egyptian minister due in UK for defence trade talks

BY TONY WALKER IN CAIRO

THE VISIT to Britain this week of *Field Marshal Abdul* Halim Abu Ghazala, Egypt's powerful Defence Minister, is expected to help UK attempts to conclude commercial agreements with the Egyptian military under a £150m line of credit.

British officials say the two sides are near to initialling a protocol for part of the military credit, backed by the export credit guarantee department. The finance is being arranged by Lloyds Merchant Bank. *Much of the UK* supplied material would be used to extend the capacity of Egypt's fledgling defence industry which has production agreements with several foreign companies, including United Scientific Holdings of the UK, for the manufacture of gun control equipment.

Egypt has expressed interest in British help in developing a battle tank. Vickers Defence Systems last year demonstrated its prototype Mark 7 tank near Cairo.

Field Marshal Ghazala, one of four deputy prime ministers, will hold talks with Mrs Margaret Thatcher, whom he met in Cairo last year, and with other senior officials. He has just visited Washington, where he discussed Egypt's problems meeting payments on its large military and civil debt to the US. Egypt owes the US $795m this calendar year, more than *a quarter of its 1986 debt service commitments.*

Meanwhile, a high level Egyptian delegation led by another deputy prime minister, Dr Kamal Ganzouri, begins discussions in Washington this week on Egypt's debt problems. Egypt is seeking bilateral rescheduling of its large foreign debt, which exceeds $30bn. Apart from the US Egypt's other major creditors include France, Spain, and Italy.

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S. Korea reaches major milestone on road to reform

BY STEVEN B. BUTLER IN SEOUL

SOUTH KOREA'S ruling and opposition parties have reached a compromise agreement to form a special committee in the National Assembly to draft constitutional amendments.

The agreement marks a milestone in South Korea's stormy debate over revision of the constitution and is an important victory for the opposition. It opens the possibility of a negotiated settlement to Korea's political disputes and of drawing political debate out of the streets and into the nation's formal political institutions.

Just a few months ago, President Chun Doo-Hwan categorically ruled out any changes in the constitution during his term of office and his Government initially adopted harsh measure to suppress an opposition campaign to promote an amendment that would allow direct election of the president. In recent weeks, however, the Government has shown a far more flexible attitude.

The weekend accord, reached between Mr Lee Min-Woo, president of the opposition New Korea Democratic Party (NKDP), and Mr Roh Tae-Woo, chairman of the ruling Democratic Justice Party, could none the less still be upset by opposition discord.

The opposition has recently resisted joining the committee while calling for the Government to make a show of good faith by releasing up to 1,600 political prisoners. (The Government says there are less than 1,000 political prisoners.)

Last week the Government began releasing about 50 political offenders from jail, and the agreement between the two parties calls for continued joint efforts to obtain the early release of more.

Mr Kim Dae-Jung, the charismatic dissident leader who controls an important faction of the NKDP, says however he is still not satisfied with the agreement because it lacks specific guarantees about the release of prisoners.

"The release of all political prisoners is a precondition for the formation of the special committee," Mr Kim said yesterday. Mr Kim, who is legally barred from politics in Korea, failed to reach agreement in meetings with opposition leaders yesterday, and says further talks will be held today.

If Mr Kim continues to withhold support for the compromise, it could thwart efforts to form the special committee or possibly cause a major rift in the opposition party.

Attacks on Silva Herzog add to debt uncertainty

BY DAVID GARDNER IN MEXICO CITY

MEXICO'S POLITICAL establishment has delivered a series of attacks on Mr Jesus Silva Herzog, the Finance Minister was was replaced without explanation last week in the middle of delicate negotiations on how the country, will meet the service payments on its \$97bn (£64.6bn) foreign debt.

The attacks have brought an additional note of uncertainty into the debt situation while US financial officials are giving an upbeat appraisal of events following Mr Silva Herzog's departure.

According to one official a global economic package, including a new IMF agreement, is only days away. The agreement would, waive targets on this year's budget deficit — which is likely to exceed 13 per cent of gross domestic product and instead require the Government to reduce it to around 6 per cent by the end of next year.

This would release up to \$1.5bn in new money, but the officials saw no prospect of concessions to Mexico from the commercial banks on the level of interest payments it now has to make.

On Friday, El Nacional, the official government newspaper published a front page editorial accusing Mr Silva Herzog of weakness, inefficiency, lack of solidarity with his colleagues and failure to carry out Government policy.

The executive of the ruling Institutional Revolutionary Party (PRI) followed this with a statement saying that the Government was no place, for the faint hearted and personally ambitious.

Peru to punish 'excesses' in quelling of jail riots

PERU'S vice-president Luis Alberto Sanchez has said the Government will punish any excesses by the military in putting down riots last week at three prisons in which at least 250 inmates were killed, Reuter reports

The political opposition called the killings a massacre and demanded a congressional investigation.

One opposition senator, Mr Diez Canseco, said surviving prisoners claimed that soldiers killed 60 inmates after they had surrendered. "This has been an operation of extermination, not one to re-establish order," he said.

Most of the inmates killed on Thursday at the three prisons in or near Lima were believed to be members of the Sendero Luminoso (Shining Path), a Maoist guerrilla group.

"If there have been excesses in the suppression, they will be punished," Mr Sanchez said. "This is not an empty promise." But he did not say what sort of investigation was planned.

Vietnamese ministers pay price of failure

By Chris Sherwell, South East Asia Correspondent

EIGHT senior members of Vietnam's Government, including a senior figure in the Communist Party politburo, have been removed from their posts following the failure of economic reforms introduced over the past year.

It is not clear whether further changes are to come, nor whether the shake-up signifies an end to the innovations promoted by more modern-minded members of Vietnam's ageing leadership.

The action, revealed by Hanoi over the weekend, follows the most recent plenum of the Communist Party central committee which ended on June 6. The reshuffle focuses attention on the party's forthcoming sixth congress, currently scheduled for the end of the year, at which changes at the very top have hitherto been expected.

The biggest casualty in the latest changes is Mr To Huu, one of nine vice-chairmen on the government's council of ministers. A member of the party politburo, he is believed to have been responsible for the disastrously-managed change in the country's currency last year.

Removed along with Mr To were the Minister of Finance, the Ministers of Domestic Trade and of Foreign Trade, the director-general of the state bank, the Minister of Communications and Transport, and the Minister of Mines and Coal. The Minister of Culture was also sacked.

The changes are the most sensational since Mr Tran Phuong, another vice-premier, and central committee member associated with Mr Ton Huu, lost his job in February.

But they remain difficult to interpret, for Mr Vo Van Kiet, head of the state planning commission, and an architect of the economic reforms, still appears to be in place.

Generally, the reforms have sought to shift Vietnam's economy away from heavy industry towards light industry and agriculture and away from tight state control towards decentralisation and the free market.

Over the past year, Hanoi has gone further and tried to abolish subsidies, to loosen control on state corporations and to allow more individual free enterprise.

Draft laws to attract foreign investment are said to offer 100 per cent foreign ownership, repatriation of all profits and guarantees against nationalisation.

But the sudden replacement last September of the "new" Dong for the old Dong at a rate of one for ten was appallingly mishandled and led to further rapid inflation rising above 500 per cent. A plan to end rationing collapsed, and criticism grew.

Police disperse Marcos crowd

POLICE LET off smoke bombs and used truncheons and water cannons to disperse 2,000 stone-throwing supporters of former Philippine leader Mr Ferdinand Marcos who blocked a road outside a military camp yesterday, Reuter reports from Manila.

Witnesses said at least two people were injured after shots were fired but it was not clear whether police used firearms to chase away the demonstrators.

Marcos supporters began assembling outside Camp Crame and Camp Aguinaldo in the afternoon.

Witnesses said the demonstrators commandeered buses and deflated their tyres to block a busy highway. Police moved in with smoke bombs, truncheons and water cannons to disperse the crowd.

The more the Chinese change, the more they stay the same, **Colina MacDougall** reports

Greater realism dawns over China's problems

"Corruption is like smoking", said China's party general secretary Hu Yaobang at London's Royal Institute of International Affairs last week. "Some officials have got used to it, and they've not yet been persuaded to see reason."

For the diminutive 71-year-old Hu or any other leader to admit in public to the existence of corruption in China even a few years ago would have been unthinkable.

It is a sign both of Peking's growing frankness and the greater foreign awareness of the complexities of China that a businessman would ask the question that prompted such a reply.

Huge numbers of foreign statesmen, traders, bankers, students and journalists now visit China. The traffic in the other direction, of which Hu's visit was the latest manifestation, is almost as heavy. Westerners used to be overawed by the antiquity of China's culture and the 1950s myth of an industrious nation of "blue ants".

Much better informed as a result of these contacts and their own experience, they have now realised that China is not so different from anywhere else, though it has tenacious social customs which make it difficult for foreigners to work in.

One example of the fallout of information from the growing exchanges was the way Hu's visit to London—thin in results apart from encouraging goodwill—signalled the favoured status of the 55-year-old vice-premier Li Peng, earlier tipped as possibly the next premier.

The flamboyant Hu turned regularly in his public appearances to the younger man for facts, figures and suitable quotations to illustrate his points.

As last week Hu gave the strongest indication so far that he and Premier Zhao Ziyang would partially retire next year, interest in possible successors has begun to grow. Said one diplomat: "There is an inescapable connection in China between personalities and policies."

The Soviet-educated Li is apparently committed to modernisation, but as reportedly the adopted son of the late Premier Zhou En-lai, he is still part of the old-guard establishment.

The diplomat's comment is part of the growing realisation abroad that when Hu said, as Peking officials often do, that China was still in some respects a feudal country, he meant it almost literally.

"They're trying to graft a modern economy on to a 13th-century bureaucracy," one Hong Kong observer said.

For centuries, promotion, administration and commerce were carried on in China through a complex web of family ties, old friendships and the giving of presents and dinners.

A well-to-do family would have to produce an official every couple of generations, or expect to lose all its wealth.

The need to be efficient in commerce or industry—until this century in any case limited—paled in comparison.

When the Communists came to power in 1949, this system was swept away, but the disillusion that followed the Cultural Revolution opened a vacuum which it has quickly returned to fill.

Western businessmen are beginning to grasp that this factor explains many of their problems. Now that the grip of Stalin-style central planning has relaxed, local organisations have proliferated, all in competition with each other and dependent for status on their degree of influence with higher authorities.

"In all our negotiations with China over the past several years, we've been aware that the power struggle between the centre, the provinces and the foreign trade corporations we were dealing with was more important than the actual contract," said one experienced businessman.

Direct investment in China has been particularly affected by such problems. While the recent round of well-publicised difficulties—those of American Motors, for instance, whose partner the Beijing jeep plant ran out of foreign exchange—relate to the economy, many more are the consequence of competition between the layers of local authorities over land use, raw materials or energy.

A joint venture may need to negotiate with numerous local bodies if roads or water rights belong to others. The luckless foreigner has no idea which official in which organisation has the "guanxi"—connections—to solve his problem.

Still unaccustomed to Western notions of law and fairness, these difficulties are aggravated by the Chinese tendency to change the rules of the game once agreements are reached.

The importance of China's "old boy" network is becoming obvious abroad. Most Chinese delegations, Hu Yaobang's not excepted, contain their "cadre princes", the relatives of senior officials who want a foreign trip.

Every delegation from China's northern steel town Taiyuan which has visited its British twin, Newcastle, has been made up of graduates from the English department of the same Taiyuan college. Furthermore, all the Taiyuan VIPs who have come graduated together in 1965.

Kickbacks, part of a long Chinese tradition, have become commonplace, though more discreet since this year's crackdown on corruption.

"Every province now has an office in Hong Kong and it has become standard practice for the corporations to ask for a commission to be paid into their accounts there," said one businessman.

On top of that, China's generally low level of industrial skills, for long concealed by impressive output figures and outstanding successes such as space shots, has sunk in abroad. While American Motors' recent problem was one of foreign exchange, it was already concerned that at the Beijing jeep plant it was taking the 4,000 workers 88 man-hours to produce one vehicle compared to 32 in Ohio.

One West German manager, Mr Werner Gerich who spent a year with the Wuhan diesel engine factory found manufacturing sloppiness almost beyond belief — in one example, the management was proposing to rectify misdrilled screw holes with a smear of quick-drying glue.

These factors, plus the difficulties encountered by China's economic reform policy, have altered the perception that many had of China a few years ago as an incipient economic power.

The success over the past two decades of Japan and the other non-Communist countries of East Asia contrasts markedly with China's preoccupation with politics and its slow development of a modern economy.

"Many Japanese companies regard the Chinese as the junior partner," a British businessman said.

While this may seem a tactless attitude, the greater realism now dawning on all sides about China's economic problems can only be good.

PEKING'S 'OPEN DOOR' POLICY COMES UNDER FIRE

CHINA'S senior conservative Marxist leader, Chen Yun, has published a collection of writings and speeches which obliquely criticise Deng Xiaoping's reform policy and propose a modified version of China's liberalisation and "open door" strategy.

Chen, who is in his 80s and a member of China's ruling five-man politburo standing committee, is widely regarded as spokesman for the country's hardline party members who want to reinstitute ideology and central planning as the twin pillars of Peking's policies.

Deng's reform policy has been under fire for over a year because of the large-scale corruption and economic overheating it generated at the end of 1984.

Chen has already overtly criticised these and other problems at two party meetings.

Chen's book appears as Peking's joint equity venture policy comes under heavy criticism from foreigners for bureaucracy and foreign exchange troubles.

At the same time, managers in China's domestic industries are facing attacks for implementing reforms. It can be seen as a further salvo in the bid by conservatives to induce Deng's leadership to alter course.

The official Xinhua news agency reported that Chen stressed in his book that it is imperative to stop ignoring "spiritual construction" (a reference to the back seat that ideology has taken since Deng's rise to power).

On the economy Chen declared that central planning is a fundamental principle, and that the market economy, though essential, is only "supplementary."

Luxembourg and Eutelsat continue Astra talks

By David Marsh in Paris

THE LUXEMBOURG Government and Eutersat, the European satelite communications organisation, are still trying to narrow diffrences over Astra, the Grand Duchy's television satellite due to be launched May.

Mr Marcus Bicknell, commercial director of Société des Satellites, the company set up by European investors to operate Astra, said that Eutelsat had given up its earlier opposition to the Luxembourge scheme.

A spokesman for Eutelat, the Paris-based organisation grouping 26 European post and telecommunications adminitration (PPTs) disputted this however and s/id talks were continuing to resolve disagreement.

Astra will be providing facilities for broadcasting from space to 85cm diameter antennae fixed to people's homes. It will compete with satellite services pro vided both by Eutelsat and by the controversy-ridden French direct broadcasting satellite, TDF-1 to attract viewers, broadcasting companies and advertisers.

Eutelsat said at the weekend it hopes to hold further meetings later this summer with the Luxembourg Government, which has granted its satelite broadcasting concessioin to SES. The aim would be to reach agreement for European PTTs to provide earth transmission links for the SES service.

Eutelsat has long opposed various Luxembourg TV satellite projects which have been mooted in recent years.

Eutelsat claims that the plans of the Grand Duchy — itself a member of Eutelsat—to provide competing international satellite broadcasting services, for both cable networks and direct distribution would cause the organisation "economic harm."

Mr Bicknell said Eutelsat had modified its position, as the Astra statellite would provide European PTTs with more revenue as a result of the general increase in satellite broadcasting services.

SES will place into orbit a 16-channel satellite next year, with a second one to be added, increasing the number of programmes available to 32. Mr Bicknell said SES had already agreed for two channels to be leased to Scansat, the Scandinavian broadcasting company.

William Dullforce in Geneva reports on the increased optimism for negotiations

Gatt shuffles closer to agreement on trade talks

PREPARATIONS in Geneva for a new round of international trade negotiations have shuffled a few steps closer to their goal with the production of two rough drafts of a declaration to be adopted by trade ministers.

One, tabled by the six countries of the European Free Trade Association (Efta) — Austria, Finland, Iceland, Norway, Sweden and Switzerland—together with Australia, Canada and New Zealand, has been worked out in association with the US, the European Community and Japan.

Dubbed the draft of the Nine, it attempts to synthesise the aims of the industrialised countries and the demands of most Third World countries into a programme for negotiations, on which trade ministers could agree when they meet at Punta del Este, Uruguay, on September 15. Significantly, it is imprecise about how agricultural trade is to be handled.

The other draft has been formulated by Brazil with the backing of India. It aims at rallying the developing countries around an alternative programme which would omit or postpone until much later negotiations on trade in services and other "new" issues such as intellectual property rights and direct investment, which the US in particular insists must be included in the new round.

The Brazilian draft also makes concessions in advance by the industrialised countries on key Third World issues a condition for the start of the trade negotiations.

Moderate developing countries regard the Brazilian draft as unrealistic and too negative. It received only limited support at a meeting of developing country delegates on Friday and it will probably be amended before being tabled in the General Agreement on Tariffs and Trade (Gatt) preparatory committee which meets again this week.

A first reading at an informal session of the draft of the Nine drew favourable reactions from some Association of South East Asian Nations (Asean), South American and other "moderate" developing countries.

The Nine do not regard their draft as fixed in wording or even in content but rather as an effort to concentrate minds and put some structure into the talks in the preparatory committee. The committee, which started work in January, has a mid-July deadline to produce a programme for the trade ministers.

Events outside Geneva—the development of the dispute over farm products between the US and the EEC, the Reagan Administration's ability to deal with protectionist measures in the House and Senate will determine the final outcome.

The committee will almost certainly have to leave open some key items of the programme to be settled by the ministers in Punta del Este. The two drafts show, nevertheless, that it is not far from agreement on other central issues such as standstill and rollback.

Under a standstill, Gatt's 90 members would agree to take no further protectionist trade measures. A rollback would commit them to eliminate measures which are already in force and are contrary to Gatt rules.

The issues where divisions remain include trade in farm products, textiles and clothing and the inclusion of services and other new subjects in Gatt—issues which are decisive for developing countries' attitudes to the new round.

Agriculture: the draft of the Nine offers two alternative texts, one saying that the talks should aim at greater liberalisation, the other calling for a phase-out of export subsidies on farm products within 10 years.

It offers three versions of how negotiations on agriculture can be handled. The essential difference is whether they should be conducted in one negotiating group or can be taken up in any negotiating body in the new round. The question is crucial for France and other EEC countries which want to limit the lines of attack on the common agricultural policy and on the Community's export supports.

Despite recent statements in Brussels committing the Community to the new round, the EEC's evasiveness in Geneva whenever agriculture is discussed continues to be a stumbling block for the preparatory committee.

The US, on the other hand, now wants to get agriculture "on to the fast track." Mr Michael Samuels, the US deputy trade representative, sees talks on farm products being completed by mid-1988.

The US threat to retaliate from July 1 for the barriers to its maize and sorghum exports to Spain erected when that country joined the EEC this year worries trade negotiators in Geneva.

Both US and EEC officials try to assuage this concern by claiming that their quarrel over the trade effects of the Community's enlargement will be kept on a separate track from preparations for a new round.

Textiles: US toughness is again in focus. The end of July is the deadline for agreeing a new Multi-Fibre Arrangement, the Gatt agreement which governs the bulk of world trade in textiles and clothing. Immediately afterwards, on August 6, Congress is due to vote on President Reagan's veto of the heavily protectionist Jenkins Bill on textile imports.

US negotiators in Geneva are unable to make concessions to meet Third World demands for liberalisation of the trade and cannot accept any wording in a draft declaration for trade ministers that would imply a softening in the Reagan Administration's stance.

The Brazilian draft specifically demands that textiles and clothing be included in an agreement on a three-year rollback of existing protectionist measures.

Services: the width of the gap over services and other "new" items is reflected in the two draft dclarations. The Nine call for the establishment of a framework of principles and rules under which trade in services would be conducted.

The Brazilian draft says further preparatory work on services is required before a new round is launched, a stance which is interpreted by the US is further evidence of the hard-core countries' determination to prevent or delay the start of the new round.

The general feeling in Geneva, however, is that the draft of the Nine has started the final play towards the formulation of a programme for the negotiations.

Turkey and Iran sign $2.2bn agreement

By David Barchard in Ankara

TURKEY AND Iran have concluded a $2.2bn (£1.46bn) trade agreement after a week of talks in Ankara between Turkish officials and an Iranian delegation led by Mr Behzad Nabavi, the Iranian Minister of Heavy Industry.

Iran was Turkey's main trading partner during the early 1980s and is a major customer for Turkish foodstuffs, household goods and industrial machinery.

However, Iranian officials are understood to have explained to their Turkish counterparts that the country's exports this year will reach only $8bn at the very most and have asked the Turks to supply raw materials to be paid for by Iranian exports of finished goods.

It is understood that Iran has pledged to supply up to $425m of non-oil exports to Turkey, in addition to around $1bn of crude oil. However, some Turkish businessmen are sceptical about the ability of Iran's oil-based economy to supply non-oil exports capable of competing on international markets.

Turkey is also experiencing serious difficulties with Iraq, its other main Middle Eastern market, which has imports payments backlogged from last year of more than $1bn and is presently unable to finance new imports from Turkey.

SHIPPING REPORT

Tanker market buoyant

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE TANKER market remained fairly buoyant last week, with rates moving higher in all sectors. Far fewer tankers are now available in the Gulf for shipments over the next few weeks.

This has led to rates of up to Worldscale 47.5 being paid for a 290,000 cargo to the West and Worldscale 60 to the East, both much higher than in previous weeks.

On the second-hand market, enquiries for very large and ultra-large crude carriers (VLCCs and ULCCs) remained strong, although few deals were done. Galbraith's reported that two VLCCs sold to Norwegian interests earlier this month for a total of $17m were now up for sale at a possible $18m.

Dampening the optimism somewhat was the feeling that rates could ease again.

On the long-depressed dry cargo market, the US Gulf-Japan grain rate remained at a low $8.50 (£5.60) a tonne.

World Economic Indicators

FOREIGN EXCHANGE RESERVES (US$m)

	Apr. 86	Mar. 86	Feb. 86	Apr. 85
US	15,062	13,965	14,283	7,849
UK	11,361	10,733	10,513	7,474
W. Germany	39,909	39,865	41,000	32,829
Japan	26,686	23,540	23,193	22,782
Italy	15,662	13,370	13,259	16,870
Belgium	4,216	3,981	4,122	3,803
Netherlands	9,550	9,284	9,495	7,404
	Mar. 86	Feb. 86	Jan. 86	Mar. 85
France	24,135	24,190	23,836	19,602

Source: IMF

European car study forecasts shake-out

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

ONLY West Germany and Italy among the five major European production countries appear able, on present trends, to maintain a strong and independent motor industry, says the Economist Intelligence Unit in a new report today.

It also argues that in the longer term, as Western Europe becomes more and more a single market, the number of sizeable car makers will decline and one or two groups—probably Volkswagen of West Germany and Fiat of Italy—will emerge as clear leaders.

The study examines the financial state of the 12 big vehicle producers at the end of 1984. It points out the West European motor industry's net loss that year was $525m on sales of $107bn.

Within this total the volume producers—BL, Fiat, Ford, General Motors (Opel-Vauxhall) Peugeot, Renault, Seat and Volkswagen — lost $1,313bn (£875m) on sales of $73bn whereas the specialist producers —BMW, Daimler-Benz (Mercedes), Saab and Volvo—made $788m on sales of $34bn.

The study suggests "continued losses in Western Europe seem inevitable, and the pattern of the industry depends on where, and by whom, the losses are made."

While West Germany and Italy seem set to maintain strong motor industries, in France the domestic manufacturers have failed to provide vehicles within the cost structure necessary, while the industries of the UK and Spain are dependent on the goodwill of their foreign owners, it adds.

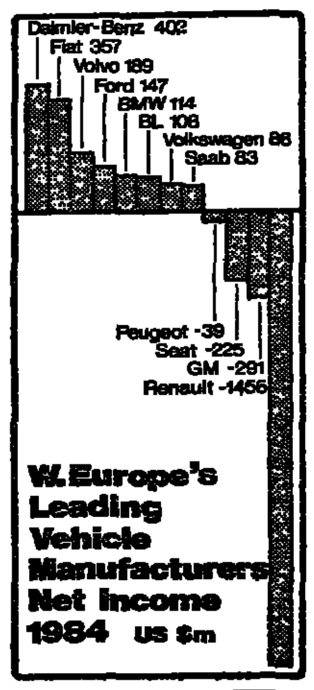
The indigenous West German manufacturers are "arguably the three outstanding vehicle manufacturers in Western Europe," the report maintains, but the subsidiaries of GM and Ford both have their difficulties. Neither can export from Europe where they must compete in a static market.

"Opel and Ford-Werke must compete almost entirely on the basis of cost of production. And since the parent companies will not be withdrawing from Europe, the decision will be as to whether West Germany is the best place from which to provide products," the EIU declares.

It suggests that the vehicle manufacturers of France are the two with the greatest problems. "Renault's losses will stay with the group until the soft of rationalisation that has been applied to BL in the UK has been carried out. In the meantime, the continued production of Renault can only make the market place much more difficult for Peugeot, which has not effectively demonstrated its ability to ensure survival in independent form."

The study points out that the groups under the most financial pressure have mixed characteristics. Peugeot is the only independent company, Renault and BL are state-owned, and Opel and Vauxhall are GM subsidiaries.

A Financial Assessment of the West European Motor Industry; £95 (Europe, $175 (North America), £98 (rest of world); from the EIU, P.O. Box 1DW, 40 Duke Street, London, W1A 1DW.



Guinness in US beer campaign

By Hugh Carnegy in Dublin

GUINNESS yesterday announced a campaign to win a major share of the $100m (£66.6m) non-alcoholic beer market in the US for Kaliber, its alcohol-free lager.

Kaliber, developed at Guinness's Dublin brewery and made in Dundalk near the border with Northern Ireland, has been on sale on both sides of the border for three years where it has won 60 per cent of the market. Sales in a marketing test in New York had exceeded $7m.

Guinness, which is spending $2m on the US launch, says it expects the non-alcoholic beer market to grow quickly, especially in the health-conscious US, and the company aims to win 15 per cent of this market.

It also plans to sell Kaliber in the Middle East which Guinness regards as another key market for alcohol-free beer.

Spending bids raise Tory political heat

BY PETER RIDDELL, POLITICAL EDITOR

MINISTERIAL REQUESTS to the Treasury for additional public expenditure on education and health have been directly tied to the Government's political and electoral position.

Mr Kenneth Baker, the Education Secretary, and Mr Norman Fowler, the Social Services Secretary, have linked their bids to the Government's political need to demonstrate its commitment to the main social programme before the next general election.

In particular, Mr Baker has only slightly raised the request for an additional £1bn for 1986-87 put in by his predecessor, Sir Keith Joseph. But his supporting letter to the Treasury points out that he was appointed specifically to improve the Government's standing in this area and that this requires extra money in a variety of sensitive areas.

Similarly, Mr Fowler had specifically identified a number of politically sensitive areas in his bid, notably the need for increased Whitehall grants to cut hospital waiting lists, some relief for London hospitals hit by the reallocation of resources to the north and Midlands, and an expanded preventative screening drive against cervical cancer.

They way in which these bids have been presented has added to the political pressures, although Treasury ministers accept that some more money will have to be allocated to priority areas such as education, health and, to some extent, housing.

However, Treasury ministers point to the favourable impact of the extra £20m they gave to Mr Baker earlier this month for preparations for a new schools examination as showing how much can be achieved politically through limited expenditure.

The Treasury will also be looking for offsetting savings, notably in parts of the road building and defence programmes. Mr John MacGregor, the Chief Secretary to the Treasury, has laid considerable emphasis in recent speeches on the "substantial scope" for achieving more savings through increased efficiency and value for money.

After the completion of the committee stage of the Finance Bill last Thursday Mr MacGregor is now concentrating full time on analysing the additional expenditure bids from Whitehall departments which total between £6bn and £7bn above existing plans for 1987-88. A Cabinet discussion on the spending outlook has been pencilled in for the first half of next month.

The largest item, an additional £3bn, has come from Mr Nicholas Ridley, the Environment Secretary. He has largely accepted his predecessor Mr Baker's request for an additional £2bn for local authorities (to match their current level of spending) and has only slightly scaled down the original proposal for an extra £1.2bn for housing and other environment services.

The original Treasury hope of truncating the usual round of spending discussions has been partly frustrated by both the Finance Bill and last month's ministerial changes. Hence, as usual, only limited discussions between the Treasury and spending ministers are likely before the summer recess and the main argument will be in the early autumn.

Key issues for election set out by Thatcher

By Robin Reeves, Welsh Correspondent

MRS MARGARET Thatcher, the Prime Minister, said that seven years of Conservative government had produced excellent financial management, made industry efficient, recognised the importance of rural areas and adequately financed the social services.

Speaking at the Welsh Tory annual conference in Porthcawl, South Wales, at the weekend, she set out what appeared to be key issues for the Conservative Party's platform in the next general election, due before early summer of 1988.

She said the fall in the rate of inflation had special appeal for older people concerned about their savings. Efficient industry was the key to creating wealth, she said.

As for the social services, the Government was spending far more on health while pensions bought more than ever before, contrary to suggestions by opposition parties of inadequate funding, she said.

Mrs Thatcher described unemployment, currently running at 3.21 million, or 13.3 per cent of the workforce, as a sub-heading of industry, saying it could be reduced only by creating more businesses and training to tackle skill shortages.

CBI doubts Lawson forecast of early end to economic lull

BY GEORGE GRAHAM

THE GOVERNMENT'S belief that the economy is about to pick up again after a lull in the early months of the year is called into question today by a new survey from the Confederation of British Industry (CBI).

Mr Nigel Lawson, Chancellor of the Exchequer, said last week that there was every reason to believe that the pause in economic activity would soon be over, but the survey by the CBI, the UK's employers' organisation, shows that Britain's manufacturers are still not seeing any significant improvement in demand.

Nearly a third of the 1,781 companies surveyed reported order books below normal, the CBI said, with metal manufacturers and electrical engineers worst hit. Optimism about the next four months has also deteriorated, while more companies feel they have built up more stocks than they can sell.

Weak demand is expected to keep manufacturers' prices down, the survey shows. The number of companies expecting to be able to raise their prices in the next four months is at its lowest level since 1967, the CBI says.

Economic activity around the world has stagnated in the early months of 1986 as the benefits of lower oil prices to the industrialised nations have taken longer to help raise output than they have to bring down inflation.

Mr Lawson acknowledged last week that the Treasury's forecast of 3 per cent economic growth in the UK this year was now unlikely to be met, but he indicated that growth in 1987 should exceed the forecast of 2½ per cent.

Other economic forecasters outside the Government have also adjusted their projection to take account of the delay in experiencing the boost to demand that is expected to result from lower oil prices.

London Business School forecast, Page 6

Unions prepare fight to win back lost Labour Party voters

BY PHILIP BASSETT, LABOUR EDITOR

TRADE UNION and Labour Party leaders are to launch a campaign to win back to Labour trade union voters who deserted the party in the last two general elections and who were a decisive factor in bringing the Conservatives to power.

The intention of the new campaign, to be launched in a few weeks' time, will be to spell out to union members the advantages to them of voting Labour. This follows the highly successful union campaign which ended earlier this year to persuade union members to vote to retain their unions' political funds.

The executive committee of the Trade Unionists for Labour Group (TUFL) met at the end of last week to approve a range of leaflets, posters, videos and other promotional material. The next group executive meeting in mid-July is expected to give final authorisation to the campaign.

The fresh drive for trade union votes for Labour will include sending individual leaflets to all trade union members: a direct appeal to them for money – in addition to any sums raised centrally from their unions – and promotional rallies at both the Trades Union Congress (TUC) and Labour Party annual conferences in the autumn.

TUFL leaders said yesterday that the campaign was on a scale which the labour movement had never before attempted.

They acknowledged that the chief aim was to increase markedly the number of trade union members voting Labour. Although only 39 per cent of union members voted for the party in the 1983 general election, polls since then place union support at about 50 per cent.

Labour Party and union leaders are painfully aware, however, that when the last general election was called, Labour enjoyed roughly the same level of support among union members, (according to unpublished internal party polling) which declined sharply over the three weeks of the campaign.

Accordingly, they want to put as much effort as possible in now so that, if necessary, Labour is ready for the next general election from next spring onwards. the next election must be held before the early summer of 1988.

Mr Neil Kinnock, Labour Party leader, would like the unions to make over money for the party well before the next election is called, on the theory that the election cannot be won for Labour in the three weeks before polling day, and work and money must be in place well before then.

Barristers endorse reform plan

FINANCIAL TIMES REPORTER

CENTURIES-OLD procedures governing the barristers profession are to be swept away. A directly-elected, 53-member Bar Council is to replace the existing Bar Council, the Bar Committee and the Senate of the Inns of Court and the Bar.

An extraordinary meeting of the Bar has agreed to the change, to take place in January, with only one of the 500 barristers who attended opposing.

The reform plan was put forward by a committee chaired by Lord Rawlinson, the former Attorney-General. It concluded that change was needed if the Bar was to defend itself from outside threats, including moves by solicitors to take over work traditionally done by the Bar. The very existence of the Bar was at risk, it suggested.

The meeting also endorsed a plan to make barristers pay compulsory professional fees to fund an enlarged Bar Council secretariat.

However, the fees issue is to be put to a ballot of all 5,500 barristers in England and Wales before being implemented.

Mr Martin Bowley, QC, a member of the Radical Campaign for the Bar group, said that the decision meant that the Bar would at last run its own affairs. The 109-year-old Senate system had allowed the judges a considerable say, to the detriment of ordinary working barristers, he said. "The time has come when the judges should no longer play a part in the profession's governing bodies."

Cable & Wireless prepares to take on the world

Jason Crisp looks at the possibility of establishing a private global telecom network linking the world's top financial centres

THE ENORMOUS opportunity of linking the world's four leading financial centres – London, New York, Tokyo and Hong Kong – with a private global telecommunications network using optical fibres is now within the grasp of Britain's Cable and Wireless (C&W).

C&W's ambitious plans to take on the world's telephone administrations have been given a considerable boost now that Nymex wants to invest in the two planned private transatlantic submarine telephone cables which will cost a total of $600m.

Nymex is one of the Bell operating companies formed when American Telephone and Telegraph (AT&T) was split up, and is almost as large as British Telecom. The involvement of Nymex removes the widely-held doubts that the cables will be built.

Only a few weeks ago some of the leading national telephone operators brought forward plans for a new transatlantic fibre optic cable (TAT-9) by two years in the hope of deterring C&W and its current US partners, Tel-Optic.

It is now clear that the highly profitable cable and satellite monopolies for international telecommunications are crumbling. The prospect is of rapidly falling international telephone charges, greater competition between countries and a big challenge to satellites.

It may mean higher charges for domestic calls and lower profits for the national telecommunications operators.

C&W is now involved in a variety of joint ventures, which will provide a direct optical fibre link from Britain to China, crossing two oceans, the US and going via Japan and Hong Kong.

Optical fibres are hair-pin strands of exceptionally pure glass, capable of carrying huge volumes of communications. They provide much higher quality than satellites can, and do not suffer from the time delays of sending a signal on a 47,000-mile journey into space and back.

Competition in international telecommunications has been driven by the US, the first country to encourage it in its domestic market.

Extending competition to international communications is both a logical extension of the domestic policy and more important, a way of bringing cheaper communications to US business.

C&W, which announces its annual results on Wednesday, is a unique organisation in telecommunications and able to take advantage of the changes being driven from the US. It is a legacy of the British Empire and operates the national and international telecommunications on behalf of many countries around the world.

Its most important operation is in Hong Kong where it owns 80 per cent of the domestic telephone monopoly and also operates the international service. It has only recently begun to operate in the UK through its new subsidiary Mercury which has just started competing with British Telecom.

C&W is now building a global telecommunications network using fibre optics to threaten world monopolies. C&W's first link will be from the west coast of England to New York and will come into operation in June 1989. Tenders have already gone to five companies from the US, UK, France and Japan.

The second link will be across the Pacific. Earlier this month Pacific Telecom, one of the largest non-Bell Telephone Companies in the US, applied to build the US end of this cable in co-operation with C&W.

C&W is also involved with the Japanese end, which is still shrouded in uncertainty. Two rival groups are bidding to compete with Kokusai Denshin Denwa, the company which enjoys Japan's international telephone monopoly.

One is led by C. Itoh and includes C&W. This group is also getting "technical backing" from NTT International, a 52 per cent-owned subsidiary of Japan's domestic telephone company. If it wins, potential investors include General Motors of the US and Toyota Motors in Japan.

The rival consortium comprises three large Japanese trading houses – Mitsui, Mitsubishi and Sumitomo. It appears likely that the Japanese will license a group involving companies from both consortia.

However, C&W hopes that it will end up owning about 20 per cent of the Japanese end, the same proportion as it holds in the US.

That would mean having to spend $100m on the transpacific cable. C&W is also building fibre optic links between China, Hong Kong and Japan. To complete this global link C&W will have to build or lease capacity on optical fibres crossing the US.

This means that C&W will be spending about $500m on its global network. Undoubtedly many of the national telephone administrations will react aggressively to this threat.

Already British Telecom has been cutting prices on companies making early bookings on the first transatlantic optical fibre cable (TAT-8).

One result of competition is likely to be a price war. Although submarine cables have a design life of 25 years there will be considerable commercial pressure on the operators to fill those cables quickly.

If international telephone prices do fall then it is likely to stimulate new uses. For example, C&W believes that motor manufacturers will use these cheap international links to run their computer-aided design and automated manufacturing world-wide. This is partly borne out by the interest being shown in the transpacific cable by General Motors and Toyota.

UK NEWS

Brokers face up to Labour strategy

By Walter Ellis

EVIDENCE that the City of London is squaring up to the prospect of a future Labour Government in Britain comes today in the form of a six-page analysis of Labour's economic strategy from brokers Greenwell Montagu.

The paper's authors, Mr Robert Thomas and Mr Ray Richardson, argue that fiscal expansion under Labour would raise economic growth and reduce unemployment. There would be an accompanying increase in the rate of inflation, but not, they say, to a degree that would abort the strategy in the short term.

The real weakness of the strategy, according to Thomas and Richardson, lies in its impact on the exchange rate and the current account.

"At a time when the current account is already fragile because of the fall in oil prices, the Labour strategy looks likely to produce both a series of large current account deficits and significant falls in the exchange rate," the analysis says.

"To a degree, these would be mitigated by the inflow from the more or less forced repatriation of overseas assets of UK financial institutions. But the vulnerability of the external payments position, together with the prospect of an outflow of foreigners' holdings of sterling, implies that fiscal expansion would need to be accompanied by either sharply higher interest rates or import controls and, most probably, by both."

The Greenwell Montagu document examines two possible scenarios under a Labour Government: first, a fiscal injection of £5bn a year; secondly, an annual £10bn injection.

Both scenarios, according to the document, would produce an appreciable fall in the sterling exchange rate alongside improvements in the outlook for employment and output. Shocks to the external payment position from a fall in the value of the pound would produce a series of large current account deficits.

The second pressure point concerns inflation. By year three, it is argued, wage pressures could be severe.

Greenwell Montagu concludes that a Labour government would be a "victim of history," taking office when the cushion provided by North Sea oil was disappearing. Problems, they say, would accumulate. Short-term "hot money" outflows, for example, could easily overwhelm inflows, and the only answer would be to raise UK short-term interest rates sharply relative to those abroad.

SLOWER EXPORT GROWTH KEY TO CURRENT SLOWDOWN, SAYS BUSINESS SCHOOL

Economic outlook 'set to brighten'

BY GEORGE GRAHAM

BRITAIN'S ECONOMIC prospects are now looking gloomier this year but significantly better in 1987 and 1988, the London Business School (LBS) reports in its latest Economic Outlook.

It has revised its forecast for economic growth in 1986 down to 2 per cent, but raised its estimates of growth in the next two years to 3.2 per cent and 3 per cent.

The Government is now making similar revisions to its own economic forecasts, as evidence mounts that the boost to growth resulting from lower oil prices is taking effect more slowly than the impact on inflation, which has fallen sharply.

"Export growth, down from over 10 per cent a year ago to only ½ per cent currently, is the key to the current slowdown and to next year's recovery," LBS says. "Lower oil prices have temporarily depressed the world economy – cutbacks by oil producers have come sooner than the expansion of demand elsewhere, as buyers have delayed, waiting for prices to follow costs downwards."

Falling interest rates, lower inflation and further tax cuts will continue to boost demand over the next two years, it says, with both consumer incomes and company profits, other than in the oil sector, growing strongly.

Private sector investment is expected to rise by over 5 per cent this year, while the Channel Tunnel and higher effective capital allowances will boost it to 8 per cent in 1987. Continued cutbacks in public sector investment, however, will leave overall investment growth at around 2 per cent this year and 5 per cent in 1987.

Manufacturing industry, recently hit by declining exports, will benefit particularly from the upswing in world demand. Its growth is forecast to accelerate from ½ per cent this year to 4¾ per cent in 1987.

Despite this upturn, the 30,000 manufacturing jobs expected to be lost in 1986 will not be recovered in 1987. Productivity should, therefore, rise from a meagre 1¼ per cent improvement this year to 4¾ per cent next year.

Wage settlements in the next pay round are likely to respond to the lower rate of inflation, LBS concludes, and this should contribute to a sharp slowdown in the rise of industry's labour costs.

Labour costs per unit of output have recently deteriorated. For manufacturing industry they rose 8.9 per cent in the year to March, the highest rate of increase since 1981. This rise owes nothing to earnings, the LBS says, but reflects an end to the rapid growth of productivity over the last five years.

LBS believes that the deterioration is temporary and can be reversed once industrial output picks up again, so long as wages respond in some measure to low inflation. The rate of growth of unit labour costs can fail either if earnings decelerate or if productivity increases.

An increase in output is forecast from now on, while employment remains broadly stable. This will lead to higher productivity and should unwind the current adverse trend in unit labour costs.

Inflation is, therefore, expected to be low, and LBS believes that this can be sustained. It forecasts consumer price inflation of 4.9 per cent this year, falling to 3.2 per cent in 1987, 2.8 per cent in 1988 and 2.2 per cent in 1989.

If earnings do not respond to lower inflation but continue to rise at an underlying rate of 7½ per cent, the LBS's projection for inflation cannot be met. Instead, consumer price inflation would start to rise to 3 per cent in 1987 and to 3.5 per cent in 1988.

Less scope seen for spending manoeuvre

GOVERNMENT CHANCES of keeping spending within its planned limits are not rated as encouraging.

Although the economic environment appears much more certain, the Government has already taken many of the good housekeeping measures which might be used to cut expenditure or improve the presentation of spending figures, according to Mr Andrew Likierman and Miss Susan Bloomfield of the LBS Institute of Public Sector Management.

The freedom of manoeuvre to make politically difficult spending cuts is decreasing as the general election approaches, they say, but the Government will prefer to overshoot its spending targets rather than to raise these targets.

"This choice is rational politically, bearing in mind the relative lack of concern about overspending compared to the great interest in the trends of public expenditure plans. In the field of public expenditure control, political reality seems to have triumphed over rhetoric," Likierman and Bloomfield conclude.

Although the Government has set aside a larger than usual reserve in its spending plans, much of this is related to the fact that local authority spending has been assumed to stay the same for the next three years, the LBS report notes.

In addition, Likierman and Bloomfield fear that public sector pay settlements will continue to run as far ahead of plan in the next three years as they have in the past six. They give a warning that as the privatisation programme has been stepped up, the effects of putting off a sale or of failing to reach the assumed price have become more serious for spending plans.

The nationalised industries that remain within the private sector, moreover, are for the most part those with the worst records for keeping within their financing limits, they say.

In a separate article Professor Alan Budd and Mr Sean Holly argue that the Government should continue to set a target for the growth of broad money supply. The present rapid rates of monetary growth can still be justified without presaging higher inflation, they say.

London Business School Economic Outlook, £95 a year. Gower Publishing, Gower House, Croft Road, Aldershot, Hampshire GU11 3HR.

Seat aims for 1% of British new car sales

By Kenneth Gooding, Motor Industry Correspondent

SEAT OF SPAIN, the latest major car producer to start selling in the UK, is on target to register 5,000 sales in the first full year of operations.

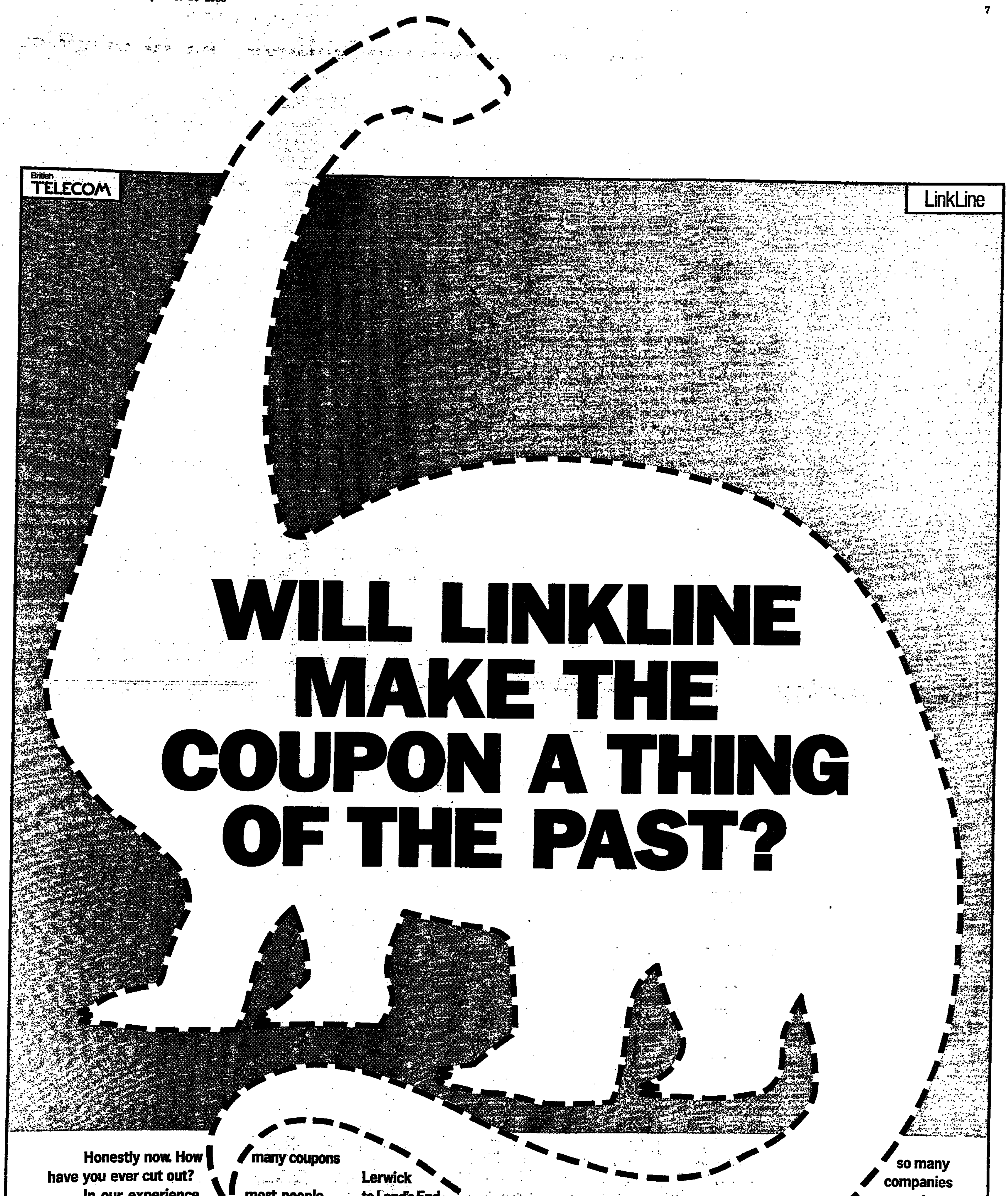
Mr Douglas Clare, managing director of the import company Seat UK – part of the Lonrho group – says he hopes the newcomer will capture 1 per cent of the UK new car market in three years, which indicates annual sales of between 17,000 and 18,000.

Seat UK, which put its first cars on the road last October, has recruited 101 dealers so far and will have 150 by the end of 1986.

Mr Clare says one indication of the importance placed on the British market by the Spanish producer is that the five-door Ibiza saloon will be launched at the Birmingham International Motor Show in November and the UK will be the first export market to have the new car.

He claims this is the first time a European continental car maker has provided right-hand-drive export models first.

Seat was formally taken over recently by the Volkswagen-Audi group of West Germany. Mr Clare says VW intends to keep the Seat marketing and dealer network separate from its own.



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British TELECOM

APPOINTMENTS

Chairman for Co-operative Bank

Rodney Aspray, chairman of Co-operative Bank

Mr Rodney Aspray has been appointed chairman of the CO-OPERATIVE BANK, in succession to **Mr Peter Paxton** who retired last month. The Co-operative Bank is a wholly-owned subsidiary of the Co-operative Wholesale Society and Mr Aspray, like Mr Paxton, is a CWS-appointed director on the bank board. Mr Aspray is chief executive of Norwest Pioneers, one of the largest regional retail co-operative societies in Britain.

Mr Harry Djanogly has joined the LEX SERVICE board as a non-executive director.

*

At LOWNDES LAMBERT GROUP **Mr B. M. Hulbert** and **Mr R. L. Tween** have been appointed directors. Mr Hulbert is managing director of Hillhouse Hammond and Mr Tween is managing director of Lowndes Lambert Insurance, Australia.

*

MICHAEL BUSINESS SYSTEMS has two new directors, **Ms Nichola Evans** and **Mr Alasdair Smith.**

*

Mr Bob Speight, financial controller of AMERICAN CAN (UK) since 1984, has been appointed to the board as finance director. He succeeds **Mr Howard Lomax**, who has been promoted to the parent company in the US.

*

KAPITI has appointed **Mr Clive Burton** as sales director. He will have responsibility for managing six of the eight Kapiti sales offices worldwide. They are in London, New York, Seattle, Dubai, Hong Kong and Singapore.

*

Mr Ted Hurworth, managing director of Argus Press Sales and Distribution, has been appointed as an executive director of JOHNSONS NEWS GROUP from July 1, responsible for new business developments.

*

Mr Don Harwood has been appointed as the NEW ZEALAND MEAT PRODUCERS' BOARD'S first regional director Europe, north and west Africa. He will operate from the board's London office whose status has been upgraded to become a regional headquarters for EEC, Mediterranean, Eastern Bloc and African markets.

*

Mr Robert Tyrrell has been appointed managing director of the HENLEY CENTRE FOR FORECASTING. He retains special responsibiilty for life style analysis applied to business planning and development.

*

Mr Michael Walsh has been appointed managing director of OGILVY & MATHER, London from September 1. For the last three years he has been responsible for the account management department of O&M. He replaces **Mr Michael Baulk** who is leaving in September to join ABBOTT MEAD VICKERS as managing director and chief executive.

*

LYNTON HOLDINGS has appointed two of its senior development executives to the boards of its principal trading subsidiaries. **Mr Peter Maitland** has been appointed to the boards of Summerbridge Properties and Templefield Securities. **Mr Howard Morgan**, who is already a director of Templefield Securities has been appointed to the board of Summerbridge Poperties.

*

Following the acquisition of Automotive Products the BBA GROUP has made the following changes. **Mr V. E. Treves**, a partner in Macfarlanes, joins the BBA board as a non-executive director. **Mr W. D. T. Tapley** joins the board of BBA as a non-executive director and remains deputy chairman of AP. **Dr J. G. White**, group managing director of BBA, and **Mr R Mitchell**, group finance director, join the board of AP. **Mr G. D. Pears** joins the board of BBA and remains chairman of the AP Group. Within the AP Group **Mr P. F. Crawford** becomes responsible for UK automotive operations, **Mr R. A. Inchley** for overseas automotive operations and **Mr M. R. Moyle** for UK distribution. The friction material division has been reorganised: **Mr G. Cartwright** becomes managing director, Mintex Don, and **Mr H. Siersleben** becomes director, European friction. Responsibility for the BBA Engineering Products companies, which now include the aerospace division at Speke, is taken by **Mr B. G. Hill.**

*

Mr Mark V. St Giles is to relinquish the post of managing director of G.T. UNIT MANAGERS (GTUM), the unit trust arm of G.T. Management Ltd. in favour of **Mr Malcolm Weightman** who was formerly sales director. Mr St Giles will now become chairman of GTUM in place of **Mr W. T. J. Griffin** who remains chairman of the parent company.

*

Mr David Cameron-Moore has been appointed vice president and head of the mortgage and insurance group of CHEMICAL BANK.

*

Mr C. P. Farmer and **Mr N. C. Carter** have been appointed directors of WOODHOUSE DRAKE & CAREY (COCOA). **Mr S. J. Phillips** has been appointed a director of Woodhouse Drake & Carey (Oils).

*

Miss Ruth M. Henderson and **Mr David McGarvey** have been appointed to the board of ALEXON GROUP. Miss Henderson and Mr McGarvey are senior executives of the Alexon brand operation and Claremont Garments, respectively.

*

Mr H. S. Hughes has been appointed chief financial officer of THE NEW ZEALAND REINSURANCE COMPANY, Auckland, with financial responsibility for its world-wide operations. He will be joining the company in London shortly. **Mr Rowland Hughes** has been appointed chief accountant.

*

W. H. DEANE has appointed **Mr Ron Trewick** as chairman of the board. He was managing director from 1960 to 1983, representing its former parent Glaxo Holdings. Mr Trewick recently took voluntary early retirement from Glaxo whom he joined in 1954.

*

ALEXANDER HOWDEN REINSURANCE BROKERS (AHRB), the worldwide reinsurance broking arm of the Alexander Howden Group, has appointed **Mr Ronald W. C. Cullum** as joint chief executive to the Lloyd's and London market reinsurance division (LMX).

*

Mr Frank Brazier has been appointed to the board of PENTOS. He has been with Pentos since October 1983 and is chief executive of Pentos Retailing Group. **Mr Ray Parkinson** has been made financial director of Pentos Home and Office Products Group, a subsidiary of Pentos. He was formerly financial controller at the submarine cable plant of STC.

*

SCOTTISH AMERICAN INVESTMENT CO has elected **Mr Jack Shaw** a director. He was recently appointed executive director of Scottish Financial Enterprise.

*

JOHN WILMOTT ESTATES has made the following reorganisation. The board is to be responsible for two separate areas of activity under the John Willmott Estates umbrella—commercial and industrial developments, and John Willmott Investments, which holds the group's investment buildings. The chairman of the revised board remains **Mr Robin Willmott**. **Mr John Morris** becomes development director responsible for commercial and industrial developments. He remains as managing director of John Willmott Developments. **Mr John F. Willmott** becomes a new member of the board as does **Mr Graham Pitcher** who has been appointed financial director.

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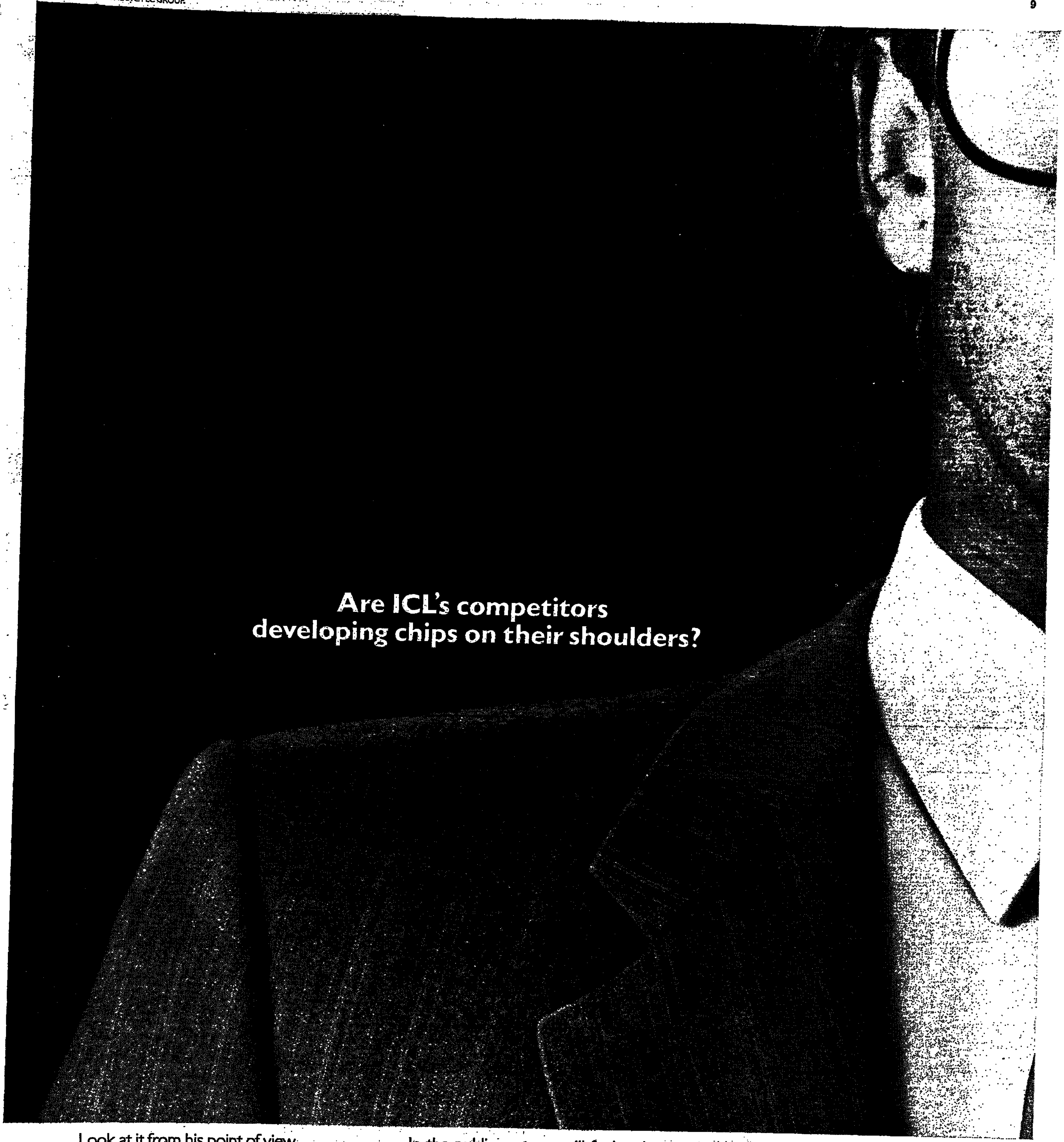

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South Africa's long distance miners

Stefan Wagstyl examines the migrant labour system

PHILEMON NIKOSE sees his wife and three children just once a month.

Mr Nikose is luckier than most of the other 520,000 black migrant workers on South Africa's mines. His home village in Lesotho is only a few hours' bus ride away from his job at Harmony gold mine. Other workers on mines hundreds of miles away form their homes do not see their families for a year.

Mr Nikose, a 34-year-old work study observer and a steward in the fast-growing National Union of Mineworkers, says: "The biggest problem in my life is that I have to stay away from my family so much."

It is likely to be a problem for Mr Nikose for some time to come. Amid all the upheaval in South Africa, there has been no attempt to alter the laws which prevent mining companies housing more than 3 per cent of their black workers with their families.

Moreover, even if President P. W. Botha's government changed the law tomorrow, the migrant worker is so entrenched in the employment and financial structure of the industry and of South Africa that it would take time before the day-to-day lives of many miners were altered.

Migrant labour dates from the early days of the South African mining industry a century ago when the companies could not find enough local workers near the sparsely-populated gold fields around Johannesburg. The British Government sanctioned recruitment of labour from as far afield as China. Subsequently, the employers limited themselves to Africa and went as far north as the Congo.

Today recruitment is largely in the hands of The Employment Bureau of Africa (TEBA), run by the Chamber of Mines, the employers' body, whose members produce almost all South Africa's gold, diamonds and platinum and most of its coal.

TEBA's activities have changed greatly in the past 15 years. In the early 1970s, nearly 80 per cent of the workers in gold mines (which employ 450,000 black people) came from outside South Africa, mainly from Lesotho, Mozambique and Malawi.

In 1974, the Malawi Government decided to cut back TEBA recruiting following an aircraft crash in which 70 migrant workers were killed. At the same time, relations between South Africa and Mozambique were soured after the overthrow of the Portuguese colonial government.

More importantly, however, the rise in the gold price in the 1970s, allowed mining companies to raise black mining wages by 300 per cent in real terms by 1980 in a deliberate attempt to cut their dependence on foreign labour by making the jobs more attractive to South Africans.

As a result, nearly 60 per cent of workers now come from within South Africa, mostly from the so-called independent homelands, especially from Transkei. Also, in response to rising wages and growing unemployment in other industries, the mine workforce has become more stable—job turnover has fallen from over 100 per cent a year in the 1960s to under 10 per cent in most mines.

While the mining companies were responsible for developing migrant labour in the first place, the reason it has persisted is the policy of apartheid, which insisted on separate white and black residential areas.

Companies have not been allowed to house more than 3 per cent of black workers with their families, since the mines are mainly in areas designated for whites. The limit has been unchanged since 1952 when it was fixed by Dr Verwoerd, then Minister of Bantu Affairs. Verwoerd had wanted no black families at all at the mines, but reluctantly bowed to pressure from mining companies who demanded to be allowed to house skilled labour. In practice, few mines housed more than 1 per cent of their black workforce.

President Botha's agenda of possible reforms to apartheid includes the abolition of the Influx Control Act and changes in the Group Areas Act, which determines where each race can live. But there has so far been no hint of an end to the mine housing limit.

In any case lifting the housing limit would not necessarily benefit all migrant workers. Residential rights could be restricted to exclude those miners—the majority—who come from black homelands. And there is no prospect that the government would allow foreign workers to bring in their families. The governments of Lesotho and Mozambique would also be unwilling to permit large numbers of wage earners and their families to emigrate. In Lesotho, miners and their families account for about 600,000 out of the 1.5m population.

Mr Ron Miller, deputy minister of foreign affairs, says: "There's no way we can morally justify bringing foreign workers into the country when we are sitting on a high unemployment problem of our own. What we should be doing is getting these jobs for our own blacks."

Both the Chamber of Mines and the fast-growing National Union of Mineworkers urge an end to housing restrictions on moral grounds.

But the Chamber has not fought very hard in recent years to end the 3 per cent limit. One of the few mines to secure a concession is Rietspruit Colliery, an open-cast operation developed jointly in the 1970s by Rand Mines and Shell. The involvement of an overseas company sensitive to international anti-apartheid opinion was significant.

Shell pressed the South African Government to house 50 per cent of black workers with their families. The government eventually agreed—but only by advancing the roundabout argument that if Rietspruit had been an underground mine it would have required many more workers than it actually needed. So Pretoria could claim that the 3 per cent limit had not been breached.

The industry does not believe that reforming the law would bring much immediate change. Anglo American, the largest mining house, which has long campaigned for political reform, believes there will be migrant labour for a long time to come. Nevertheless, it plans to build 30,000 family houses at its mines over the next few years.

The industry baulks at the cost of housing all workers' families, especially at a time when many mines are investing heavily in upgrading single men's accommodation.

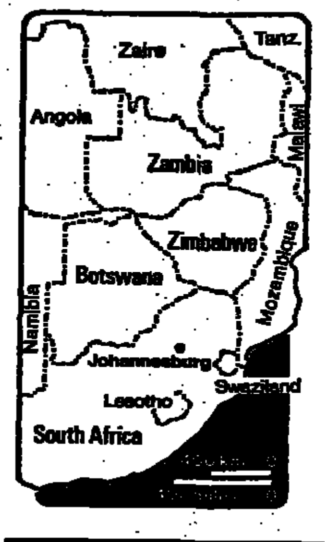
The industry's liberal critics say that the companies would not necessarily have to carry the full cost of family housing — workers who wanted to settle could be encouraged to do some of the building themselves.

Some companies claim that since mines have finite lives it makes no sense to build settled communities around them—despite the fact that such communities exist at mines in most other parts of the world.

Supporters of the migrant labour system also argue that the extra income that mining jobs bring into villages is important in alleviating poverty. The minimum monthly underground wage on the mines — R200 — is as much as most villagers earn in a year on the land. Critics say that rural overpopulation lies behind the poverty — so miners should be encouraged to take their families off the land.

The wishes of the black workforce are a matter of dispute. The employers concede that there are miners like Mr Nikose at Harmony who want their families with them. But they believe that if black workers were allowed to settle at the mines, most would choose not to because they would be loathe to give up their village homes, land holdings and traditional lifestyle.

In most other countries, the process of industrialisation has inevitably taken workers — and their families — off the land to new homes near the place of work. There is little reason to believe South Africa should be different, but only a change in the law would reveal how quick, how extensive and how permanent the shift in population would be.



ORIGINS OF BLACK WORKERS EMPLOYED IN GOLD MINES (thousands)

	1973	1985
South Africa	81	240
Lesotho	76	97
Botswana	20	18
Swaziland	4	12
Mozambique	83	50
Malawi	109	16
Other countries	2	—
Total	375	433

Source—Chamber of Mines

Ashley Ashwood

Robin Miller, left, and Frank Rogers: belief in small groups

Angling for success

Magazine group EMAP has come a long way since launching Angling Times, reports Raymond Snoddy

ANGLING TIMES celebrated the start of the coarse fishing season this month by presenting its readers with a free "bream-punch/disgorger" taped to the front page.

Inside, a former world fishing champion, explained how to use one end of it to fashion morsels of irresistible bait from thin sliced loaf and the other end to get the hook out of the fish's mouth again.

Angling Times—circulation around 120,000 and profits of £580,000 last year—was the first national magazine to be launched by EMAP, the regional newspaper publisher, more than 30 years ago. Yet it still gives a clue to the company's increasingly successful magazine publishing strategy and its taste for targeting specialist areas of the market inhabited by enthusiasts.

"There's a lot of mystery, technique and equipment in fishing," says Mr Robin Miller, EMAP's group chief executive who began his career as a reporter on another early EMAP magazine, Motor Cycle News.

There has also been a lot of technique and even a little mystery involved in EMAP's success in acquiring or launching 79 leisure, computer and business magazines while avoiding the sort of expensive disasters that are almost a part of the publishing way of life.

Last week EMAP announced record pre-tax profits of £10.2m, a rise of 32 per cent, on turnover of £101.4m. The results reflected the group's increasing concentration on four areas—consumer magazines, business magazines, newspapers and exhibitions—and disposals of the retail newsagent business and a cutback of contract printing.

Magazines now account for 59.3 per cent of group turnover, compared with 17 per cent in 1971, and 69.6 per cent of profits. Regional newspapers, including the Peterborough Evening Telegraph and the Northamptonshire Evening Telegraph, once the centre of the business, now account for only 22 per cent of turnover.

"It has been a most dramatic change in the constituency of the company," says Mr Frank Rogers, EMAP chairman and a former managing director of the Daily Mirror and later IPC.

The business reality behind a stark recital of statistics is the success of magazines such as Practical Fishkeeping, bought seven years ago for £2,000 when it was selling 4,000 copies and which now sells nearly 35,000.

Then there is PC User, devoted to the IBM personal computer, launched with "perfect timing" just before IBM started selling its PC in the UK and now thick and fat with glossy advertisements.

Business publications such as Plastics & Rubber weekly may have a lower profile but EMAP says, "make very very good money." But perhaps EMAP's most dramatic publishing success has been the series of magazines launched with teenagers and young women in mind.

The series began with Smash Hits, which now sells more than 500,000, followed by Just 17. The latest, Looks, launched last autumn, is already close to breaking even on an issue by issue basis, according to the managing director of the group of titles, Mr Tom Moloney, who is 27.

Mr Moloney's team will launch another title on September 10. It is a music magazine called Q aimed at a slightly older readership — 20 to 35-year-olds who are more likely to buy LPs and compact discs than single records.

Mr Eric de Bellaigue, publishing analyst at stockbrokers Grenfell and Colegrave argues that the extraordinary success rate of EMAP's magazine launches distinguishes it from most other magazine groups.

"This owes much to the environment that top management has succeeded in preserving which attracts creative people, notwithstanding the increasing size of the group," Mr de Bellaigue believes.

The top management team at EMAP — Mr Rogers, who is also deputy chairman of the Daily Telegraph and Sunday Telegraph, Mr Miller and Mr David Arculus, deputy group chief executive — believe in groups small enough for people to know one another.

The EMAP chairman cites two lessons from his years in publishing—that certain types of magazines are more likely to succeed than others, and market leadership in a sector is vital for attracting advertising.

When, despite all the research, a magazine looks as if it is going badly Frank Rogers "cuts its throat" quickly. EMAP recently closed down a new title, Health Service Week, after six weeks when the hoped-for classified advertising failed to materialise.

Mr Rogers believes that EMAP will continue to expand by acquisition—it recently bought the Bedford County Press from Westminster Press —and by growing its own new titles.

Expansion overseas is also a possibility but expansion into Fleet Street is virtually ruled out. A plan to produce a new national daily in the UK in co-operation with the Irish Independent company in Dublin got as far last year as a dummy newspaper

David Marsh looks behind the battle to conquer Aids

The billion dollar squabble

INTERNATIONAL Aids experts meet in Paris today to discuss ways of tackling the seemingly unstoppable killer disease. But their talks will be overshadowed by the virulent dispute between France and the US over patent rights for marketing Aids diagnostic tests.

The US government last month broke off talks with the Institut Pasteur, the French medical research organisation, over patents for diagnostic kits, sales of which are expected eventually to be worth $150m a year worldwide.

The dispute pits scientific teams from the Pasteur institute against the US National Institute of Health (NIH) in a battle over legal recognition of who first discovered the Aids virus.

Aids has also become the focus of rivalry between scientists both because of commercial pressures and for reasons of prestige.

About 2,000 researchers from 40 countries are expected at the three-day Paris conference —a sign of the extent of international exchange of information and collaboration. Three times as many papers are to be delivered than at the last big international conference in Atlanta, in the US, last year.

The dispute between the teams led by Dr Luc Montagnieur of the Institut Pasteur and Dr Robert Gallo of the National Cancer Institute in Bethesda, Maryland — which until 1984 co-operated on Aids research — is damaging efforts to pool resources on combating the illness. None the less, both groups will be at the Paris conference.

Companies marketing tests internationally for screening potential Aids carriers include Abbott Laboratories, Du Pont, Travenol, Electronucleonics and Litton Bionetic of the US, the Wellcome Foundation in the UK, Organon of the Netherlands, and Diagnostic Pasteur, a joint venture between the Sanofi drugs group and Institut Pasteur.

Diagnostics Pasteur has linked up with Seattle-based Genetic Systems to sell the tests in the US. The French test was approved by the Food and Drug Administration in February only after a long delay, which gave unfair advantage to its competitors, above all Abbott Laboratories, the French Institute says.

The patents controversy holds the key to royalties worth many millions of dollars. The patents affect not only the Aids diagnostic tests being introduced in most industrialised countries but also vaccines and anti-Aids therapy which scientists and drugs companies hope to develop in the next few years.

Aids, or acquired immune deficiency syndrome, is contagious mainly through contaminated blood. It first appeared in the West in 1979, and has during the last two years attracted intense media attention.

About 25,000 people in the world have Aids. And the total infected by the illness—not all of whom will develop symptoms —is at least three millions.

In the West mostly haemophiliacs, promiscuous homosexuals, and drug addicts have been affected. Death comes from progressive lowering of the body's resistance to infection. There is as yet no effective treatment, in spite of a number of highly-publicised efforts to te[illegible] [illegible]ugs against the disease.

Between 1.5m and 2m Americans may already be infected by the Aids virus—nearly one in 100 of the population. The disease has also started to reach epidemic proportions in parts of Latin America and Africa where the lack of developed public health services seriously impairs efforts to stop Aids spreading through blood transfusions and prostitution.

Mr Christian Policard, chairman of Diagnostics Pasteur, says Aids in the industrialised world is spreading with "controlled acceleration" but in countries like Brazil it is "catastrophic."

Signs of a possible breakthrough in the dispute between French and US researchers surfaced last month when the new French Health Minister, Mrs Michele Barzach, agreed with a suggestion from Mr Curtis Bowen, the US Health Secretary, for an international foundation to pool resources on Aids.

However, Professor Dedonder says he will accept this solution only if the institute reaches agreement on royalty payments.

Pasteur researchers isolated the virus, which they dubbed LAV (Lymphadenopathy-associated virus), in January 1983, publishing the results in May of that year and taking out patent applications, in Britain and the US in September and December respectively.

Dr Gallo, whose rival team in 1983 borrowed and studied sample viruses sent across the Atlantic by the Pasteur group, laid claim to discovery of the Aids virus in April 1984 in a joint declaration with the then US Health Secretary, Mrs Margaret Heckler.

The Pasteur institute took the case to court last year. It was partially rewarded at the end of April by a declaration from the US patent office declaring it the "senior party" in the discovery.

Dr Gallo has also been considerably embarrassed by a publishing slip. He has had to admit that an illustration of the US-discovered virus, called HTLV-III, which accompanied his article in Science magazine on the discovery in May 1984, was actually a photograph of LAV.

The mistake—the complex molecular strutures of the two viruses are very similar — shows the Gallo team was copying French work all along, the Institut Pasteur says. Professor Dedonder says his institute's lawyers have now uncovered considerable evidence—including depositions made under the US Freedom of Information Act — "that Gallo was using samples which we had sent them."

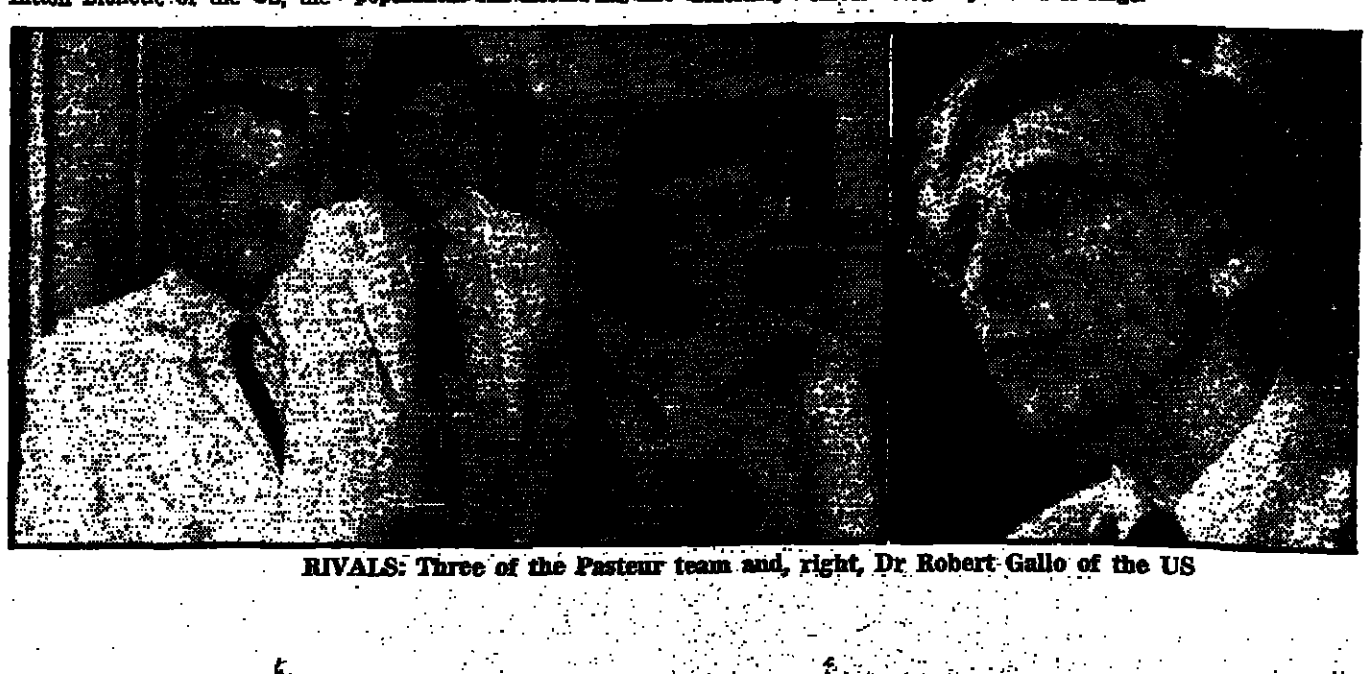
The affair has sent a flame of commercial competition through a scientific community which has previously worked on the basis of scholarly co-operation.

Prof Dedonder admits that he approached the matter with a certain innocence when negotiations with US government officials, accompanied by a battery of lawyers, started in earnest last year.

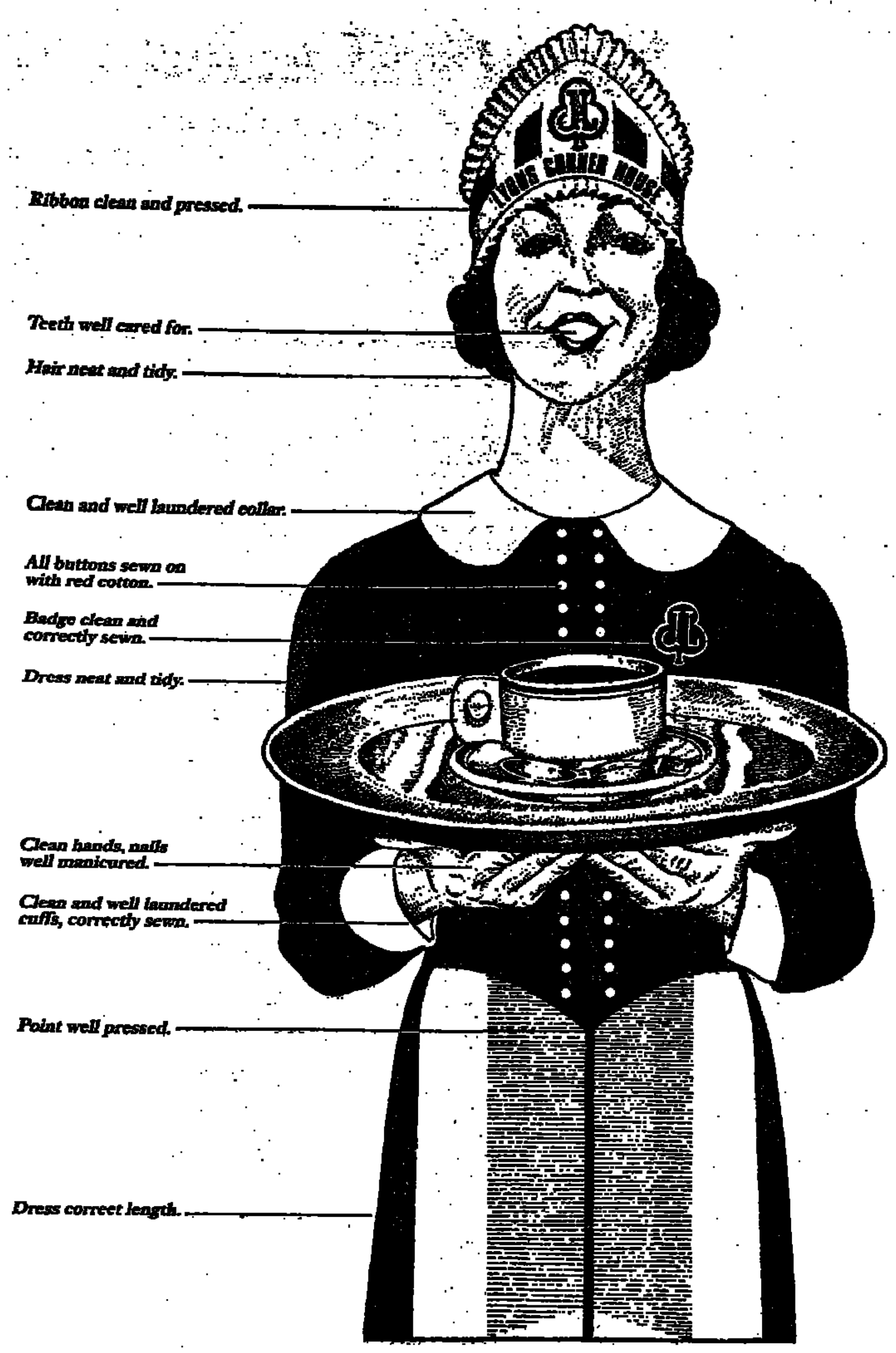
Even though the Patent Office has heartened Pasteur Institute by its decision in April, the legal struggle could take another two years. This is one reason why Prof Dedonder says he is still open to "compromise."

Now that Diagnostics Pasteur/Genetic Systems marketing efforts have been given extra bite by the Patent Office move, a compromise could however be harder to achieve, given the scale of the rewards at stake.

"We now have a fight to the finish," says the mild-mannered Prof Dedonder—an indication that, amid the abstruse genetic codes being discussed in Paris this week, dollar signs will be writ large.



RIVALS: Three of the Pasteur team and, right, Dr Robert Gallo of the US



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MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

BREAD, so conventional wisdom has it, is a mature industry in Britain. Year after year of price warfare has eaten away at margins; the supermarkets are compounding the problems of a saturated marketplace by usurping the role of the High Street baker with their in-store bakeries; and all it takes is a long, hot summer to wipe out the profits from the rest of the year.

The food giants seem to agree. Throughout the early 1980s Associated British Foods, Ranks Hovis McDougall and United Biscuits—which transformed the bread industry in the 1960s and 1970s by gobbling up local bakers' shops and turning them into chains of national bakeries —have slowly, but surely, beaten a retreat from bread retailing.

Yet over the same period Greggs has grown from a baker's shop in Newcastle into the country's largest independent bakery with a stock market listing and a chain of over 300 shops across the country.

The catalyst for Greggs' growth has been the introduction of a highly flexible management style, which includes considerable autonomy for local managers, and the encouragement of employees to contribute to the company's development through concepts like quality circles. This has helped Greggs to be responsive both to its workforce and to market trends.

In the last year or so this flexibility has enabled the company to make the most of changes in public taste towards high fibre diets and healthier eating by diversifying away from white bread (where price competition is severe) towards more profitable products like crusty, granary and wholemeal loaves.

"The retail bakery business is very complex, and increasingly competitive, thanks to the development of in-store bakeries, a relatively small part of the food giants' operations," says David Stoddart, a retail analyst at stockbrokers Capel Cure Myers.

"So the food giants are withdrawing from the retail sector. ABF has sold off some of its shops, RHM seems to have called a halt to developing its Lite Bite chain and United Biscuits has effectively pulled out by turning the Crawford group in the North East from bakeries into cafeterias."

So how has Greggs succeeded at a time and in an industry in which so many others have failed?

"They have succeeded because they are a very, well managed company," says Stoddart. "Marks and Spencer is the classic example of a company that has outperformed its competitors by looking after its people. Greggs isn't far behind.

(L to r) Ian Gregg, Mike Darrington and Malcolm Simpson, finance director

Finding growth in a contracting market

Alice Rawsthorn explains how Greggs Bakery took on industry giants

IAN GREGG did not set out to be a baker. He began his career as a solicitor but took over the family business, the baker's shop in Newcastle, on his father's death in 1964.

Throughout the 1960s Greggs expanded by opening new shops in and around Newcastle. At the end of the decade it moved further afield, into Glasgow, Leeds and Manchester.

By the mid-1980s Greggs sported four regional divisions and some 260 shops. Ian Gregg drafted in Michael Darrington, from United Biscuits, to take his place as managing director, leaving him free to concentrate on his role as chairman and to prepare the company for a stock market flotation.

Greggs sailed onto the market in April 1984 with an issue that was 97 times over-subscribed. The flotation gave it paper to play with, and a cash pool, part of which was ploughed into the acquisition of Braggs, a West Midlands bakery the following autumn, and part into the purchase of the Merret and Parker chain of bakers' shops in Wales a year ago.

Earlier this month Greggs reported a 38 per cent growth in pre-tax profit to £2.65m in 1985. The share price has risen from its striking price of 165p to hover around 240p and the company, which now has a market capitalisation of £25m, is scouting about for acquisition opportunities.

"The quality of industrial relations is excellent. The management has paid attention to all the little things, to providing communal canteens for managers and workers, to ensuring that everyone is on first-name terms. In personnel management they are years ahead of their competitors."

Greggs' commitment to personnel management is a product of the company's structure. As the company diversified away from Tyneside in the 1960s each new regional operation was devised as an autonomous division.

Although Greggs makes the most of economies of scale by supplying its shops from central bakeries—whereas the food giants have tended to supply their retail bakeries from single, centralised production units—Greggs has established regional bakeries, each with the capacity to supply up to 100 shops within a 50 or 60 mile radius.

The management of each regional division therefore exerts complete control over not only the retail units within the region, but the production process too.

"There are certain constraints on local management, but we have kept them to a minimum," says Ian Gregg, the chairman. "We have always believed in giving our people as much responsibility as possible. So in terms of what is manufactured, how the retail chain expands, production targets and the marketing policy, they have complete freedom."

Structural autonomy is augmented by a complex series of employee incentive schemes. All employees, from board directors to sales assistants, participate in profit sharing and in bonus schemes. The company has also encouraged staff to buy shares, through option and savings related schemes. Employees already hold 4 per cent of Greggs' shares, with an additional 6 per cent under option.

Greggs also encourages its staff to share in decision making. Two years ago the policy of regular briefings was formalised by the introduction of the Japanese concept of quality circles to three of the bakeries.

Within the quality circles, specially trained members of staff generate discussion on every aspect of the company's activities in an attempt to stimulate suggestions on ways of increasing productivity, improving product quality, cutting costs and making the working environment more pleasant.

"Given that each of our divisions operates independently it is essential that staff are committed to the company and feel motivated," says Gregg. "We have done everything we can to ensure that they identify with the business. But this is a very important area and one at which we just have to keep trying harder."

Although each Greggs division benefits from the cost advantages of large scale manufacturing, each shop is presented to the consumer as if it were a traditional, local bakery. The majority of the shops' products — around 60 per cent — is sourced from the central bakery, but each shop has its own oven and the rest of its stock is baked on the premises.

"We try very hard to encourage people to look upon our shops as their own local bakery," says Gregg. "The sign above each shop even reads 'Greggs Bakery,' singular.

"Of course as the company has expanded this has become increasingly difficult. We now present ourselves to the City as a substantial, national company, yet we want our customers perceiving us as a quaint, traditional bakery. It is a dilemma."

Nonetheless functioning as a large operation goes beyond impressing the institutions. Fluctuations in the cost of raw materials and the growth of supermarket in-store bakeries has made price competitiveness more important than ever before.

Perhaps, perversely, in-store bakeries could offer an avenue for growth. Greggs already supplies Sainsbury in the West Midlands and the Co-op in Yorkshire and, in the long term, should the in-store bakeries erode its market share, Greggs could act as a supplier.

In the meantime it is concentrating on retailing as a source of growth. Greggs will continue to expand its established divisions. Some 14 new shops are planned for the current financial year.

"So far we have adopted a very single-minded approach to our business," says Gregg. "From time to time we have looked at moving into other areas of retailing, but never seriously. It always seemed to me that the amount of effort required to secure growth in a new field would be so much greater than the effort needed to improve our performance in the field we know so well.

"Eventually we will expand outside baking. But in the meantime we still have 50 per cent of the country to expand into as Greggs the Baker."

Decision making

Structural defects abound

Richard Evans and Christopher Lorenz report on the findings of a study into what constitutes good strategic management

THE performance of many large diversified companies could be improved if they paid more attention to the way they manage relationships between head office and divisions or individual business units. In some companies the role of central management does downright harm to the performance of their businesses, rather than adding value to it.

This is one of the central conclusions of a major study of decision-making in British industry which has been carried out by a research team from the Centre for Business Strategy at the London Business School. The team's findings are contained in three papers just published by LBS which were discussed at a seminar attended by over 100 senior executives in London last week.

In warning against the danger of mismatches between a company's strategy and its ability to execute it, the study not only examines the significance of formal corporate structures, but also the way they are operated. It quotes a senior executive of one company as attributing its problems not so much to a lack of systems and structures, but to the fact that "we didn't have the right people and attitudes."

The initial intention of the researchers, led by Michael Goold and Andrew Campbell, was to identify the way strategic decision-making processes worked, to document the best current practice in the UK, and to decide the proper role of a corporate headquarters. At the time it seemed a straightforward task.

They envisaged being able to conclude their research with a description of the best role for corporate HQ to play in an organisation and to define "good" strategic management. "But as we got into the research we found very different strategic management styles, each with strong advocates," says Goold.

At one extreme, among the 16 leading UK-based companies interviewed in depth were organisations like BTR, Tarmac, Hanson Trust and GEC, which believed in responsibility for strategy and results being clearly located with profit centre management.

At the other extreme were companies like Lex Group, BOC and STC, which saw an essential role for corporate management in providing strategic leadership and attempting to co-ordinate strategies between different businesses in the group.

"Between these polar opposites we encountered a variety of intermediate styles," the authors say. "Since there were successful companies operating under each style, we began to doubt whether any single, universal approach to corporate strategic management would emerge as superior."

Their researches identified eight styles of management, but most companies, including all 16 researched in depth, could be classified under three key headings.

First, there are the "strategic planning" companies, the overriding concern of which is with the building of maximum long-term competitive advantage in the businesses within their portfolio, even at the expense of some short-term profitability. Into this category come BOC, BP, Cadbury Schweppes, Lex, STC and United Biscuits.

Wide search

Such companies seek to build their portfolios round a small number of "core" businesses, often with co-ordinated, global strategies. The authors say this style leads to a wide search for the best strategy options, and to a tenacious pursuit of ambitious long-term goals.

But decisions tend to be relatively slow, reaction to poor performance is less decisive than it could be, and the business units often fail to feel closely identified with the strategy. Financial performance is typically strong, with fast organic growth, but serious setbacks are encountered from time to time.

Second, the "strategic control" companies, like Courtaulds, ICI, Imperial Group, Plessey and Vickers, balance competitive and financial ambitions. They support growth in strategically sound and profitable businesses, but are more willing to rationalise their portfolios by closing down or divesting other businesses.

The style, according to the researchers, raises the minimum standard of strategic thinking within business units, permits businesses to adopt long-term strategies, and increases motivation to perform for business unit management.

But there is a danger that planning processes can become bureaucratic yet superficial, and that ambiguous objectives can cause confusion, risk aversion and "political" manoeuvring. Strategic control companies have achieved profitability improvement and share price recovery, but they have seen less growth and fewer major initiatives than the other categories.

Third, the "financial control" companies, which include BTR, Ferranti, GEC, Hanson Trust and Tarmac, focus more on financial performance than on competitive position. They grow their portfolios more through acquisitions than through internally generated gains in market share.

The style provides pressure for profit growth, clear success criteria, timely reaction to events, and strong motivation at the business level.

But it can cause risk aversion, reduce concern for underlying competitive advantage, and limit investment for long term pay-offs. Although financial performance in the category has been excellent, with rapid share price growth, there has been less long term, organic business building.

"The strategic planning style is probably the hardest to do well, but if done effectively it has the potential to add more value than either of the others," according to Goold.

The researchers conclude there is no best way to manage strategically. "We believe, however, that a clearer appreciation of the choices and trade-offs involved will lead to more effective management of large diversified companies."

Of one thing the team is certain: that centralised and holding company styles of management both have significant drawbacks. Centralised styles can be appropriate, but holding company styles—without head office involvement in either strategy or control — "are invariably unattractive."

Strategic Decision Making: The Corporate Role. Centre for Business Strategy, London Business School, Sussex Place, Regent's Park, London NW1 4SA.

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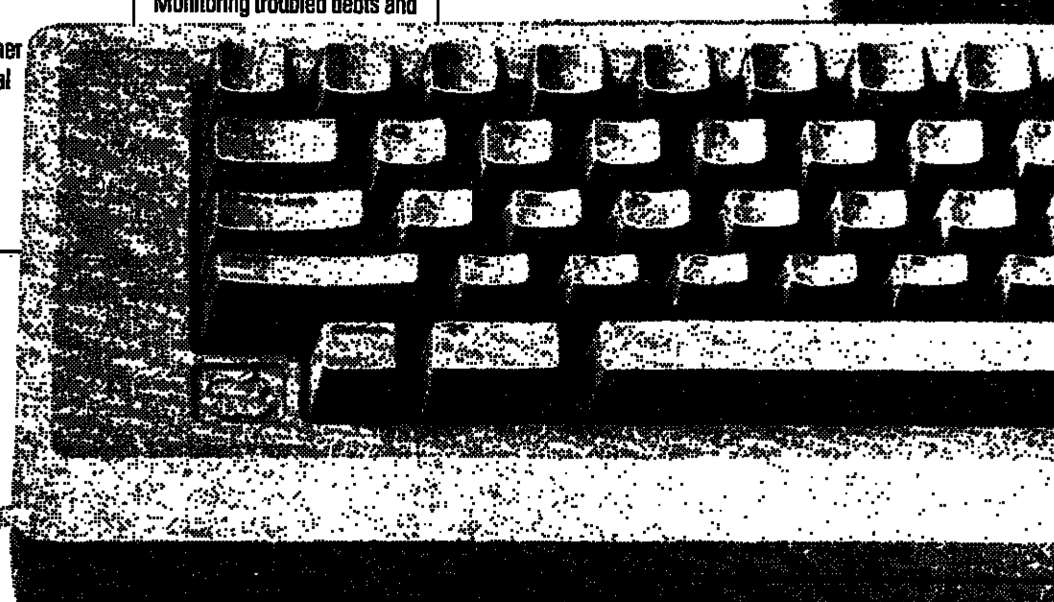

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THE WEEK IN THE COURTS

Keeping the hanging debate alive

THREE YEARS ago next month the Commons resoundingly rejected the restoration of the death penalty for all modes of murder. Capital punishment for terrorist murderers, in particular, was out-voted by 361 to 245 votes.

Now 64 of the minority of MPs have signed an early day motion in the Commons calling for a debate on imposing the death penalty for acts of terrorism. The motion links the demand for the return of the hangman with the recent trial and convictions of those who organised the bomb blast at the Grand Hotel, Brighton, during the Conservative Party conference in October 1984.

The country is thus poised yet again to hear the hoary arguments about the death penalty, which have been debated exhaustively over the past four decades.

The removal of the death penalty from the statute book in 1965 was the culmination of an arduous process of education and persuasion of senior civil servants in the Home Office first, then ministers, and ultimately parliamentarians, in the face of a perceived public opinion that remained unpersuaded by the arguments for abolition.

The battle for the ending of hanging had been long and hard, not because it took time to demonstrate that the barbarous penalty was socially dispensable — all the evidence had pointed to the fact that it was no more a deterrent than life imprisonment—but because the judicial punishment of death was supported by public indignation and horror at the crime of murder, and an age-old tradition of hanging.

Ever since the reign of Henry I the worst miscreants were hanged by the neck until dead — sus per coll, to use Norman Latin — a method of execution that was invented more for its advertisement value than its efficacy.

The Commons debate on July 13 1983 therefore focused less on the supposed deterrent effect (unique or otherwise) but more on the public's demand for retributive justice.

Parliamentarians had been so bombarded over the year with the statistical evidence, which bore out the criminological truisms that the death penalty had no discernible influence upon the rate at which murder was committed, that the rational argument for abolition had already won the day.

The penalty was invented more for its advertisement value than for its efficacy

So the proponents of the death penalty decided to switch their attack to those forms of murder which arouse such feelings of outrage that emotion might triumph over reason.

Mr Leon Brittan, the Home Secretary of the day, was a loud advocate of the death penalty for murders committed by terrorists.

He reasoned that terrorist murders were akin to treason, an offence against the State and not directed at an individual victim or victims.

But, by common consent, murders by terrorists are the least deterrable, the most likely to provoke reprisals if the murderers are sentenced to death, and prone to confer martyrdom on the condemned terrorists (with all the implications of that political fact). If met with the death penalty they are also likely to expose the authorities to a greater risk to security and escapes from prison.

At the Conservative Party Conference of October 1983 (the year before the Brighton bombing) Mr Brittan accepted the defeat in the Commons. Instead he proposed long periods of incarceration for those terrorists brought to justice.

He maintained his lawyer's distinction, that such murderers were traitors: "Terrorist murderers seek to destroy the very *fabric of society, for they aim to secure by violence what they cannot obtain through the ballot box. They are the bitter and sworn enemies of a free society. It is for that reason that they must serve at least 20 years in prison.*

"Many of them will serve very much longer, particularly when the judges have made recommendations to that effect." (Mr Justice Boreham, at the Old Bailey, recently recommended a minimum of 30 years in prison for Mr Patrick Magee, the perpetrator of the bombing of the Grand Hotel, Brighton.)

The resurrection of the call for hanging will be met by a counterclaim by abolitionists that the argument should be laid to rest for the foreseeable future. And this time events in Europe are likely to be invoked.

On April 28, 1983 the Sixth Protocol to the European Convention on Human Rights was opened for signature and ratification by the members of the Council of Europe. The protocol outlaws the death penalty in peacetime. States may provide for the death penalty in their laws only in respect of acts committed in time of war or of imminent threat of war. Almost all the countries of western Europe have signed. The UK Government, however, has persistently declined to sign.

Ministers argue that in Britain the question of abolition, retention or restoration of the death penalty traditionally has been decided by a free vote in parliament.

Mr Douglas Hurd, the present Home Secretary, repeated this response last Friday at the Wales Conservative Party's annual conference at Porthcawl. "There is no way that the issue can be tackled except as a free vote in parliament," he said.

Britain is bound by covenant to move towards abolishing capital punishment

By this reasoning it is claimed that the Government maintains its neutrality on the issue of the death penalty. As we are told that in 1983 the Cabinet was equally divided on the issue, there could be no inclination to record internationally what Parliament had decided for the nation domestically.

But the fact is that successive British Governments have not remained neutral on the issue of the death penalty.

Article 6 of the International Covenant on Civil and Political Rights, to which the UK is a party, permits the death penalty for the most serious criminal offences, although the covenant binds states to move towards abolition by providing that "nothing in this article shall be invoked to delay or prevent the abolition of capital punishment by any state party to the present covenant."

The covenant merely acknowledges that it may be right that the ultimate sanction cannot safely be dispensed within countries which have not developed a degree of civilisation that prompts its legislators to do without it. Whether death is the appropriate punishment for rebels and traitors in politically unstable countries is another question. The European Convention acknowledges as much by allowing for the death penalty in time of war or imminent threat of war only.

Since 1950 Britain has adhered to the European Convention, which by Article 2 has countenanced the right of member states to keep the death penalty for serious offences. That Article has now been repealed by the Sixth Protocol.

So on the one hand Britain accepts the right to keep the death penalty. On the other hand Britain declines to remove that right. That is not the stance of a neutral.

If the 64 Conservatives do obtain a debate on the death penalty for terrorist murders, their opponents may well ask parliament, on a free vote, to require the Government to sign the Sixth Protocol. That would indeed end the ceaseless debate over capital punishment.

Justinian

INSURANCE

Seeking out life companies' potential in a changing market

BY JOHN MOORE

THE LIFE insurance industry faces an unprecedented period of change.

Deregulation in the financial services markets, the future implementation of the Financial Services Bill, the threat of competition from banks and building societies and other developments provide extensive challenges for life insurance.

According to two recent studies by analysts at Quilter Goodison and by Greenwell Montagu, the stockbrokers, life assurance is in a considerable period of turmoil.

Three major issues have been identified by the two analysts, the marketing opportunities available to the life insurance industry; the potential for product development; and future strategy and structure of the market.

Banks, building societies, insurance brokers and consultants, estate agencies, finance companies and share shops as well as the life insurance companies all compete for a share of the savings market.

At the same time that larger financial groups are being formed, groups such as the Prudential, Hill Samuel, Hambros, Royal and General Accident are acquiring estate agency business.

Big distribution networks are being formed through acquisition of regional stockbrokers carrying out mainly private client business by James Capel, Commercial Union, and Laing & Cruickshank.

One consequence of the increased competition is that life insurance companies have diversified. London & Manchester, Royal London Mutual and Refuge are all active in the domestic mortgage market, on-lending funds which they have borrowed in their own names.

Sun Life and Equity & Law have acted as agents in packaging and retailing funds supplied wholesale by banks for some time, but more recently the Prudential has entered the market as agent for Citibank of the US. Abbey Life and Pearl also have plans.

Greenwell says that the moves have been stimulated by a need to offer a broader range of products to an increasingly sophisticated public.

There has been greater competition in the mortgage lending market. The proportion of borrowers repaying by endowment policy has been rising again, in spite of abolition of life assurance premium relief in the 1984 Budget.

It is argued that there are possibilities for cross-referrals in integrated insurance businesses, such as between the Prudential's sales force and the estate agency business it is building up.

Attraction of clients at an early age might allow life companies to meet their financial service requirements and increase business volumes.

Deposit-taking and unsecured lending are other areas which analysts think offer potential for the life companies. Refuge has formally declared an intention to offer unsecured lending through its association with Leopold Joseph, while Legal & General has a deposit-taking licence.

On other fronts, Commercial Union has acquired a small regional stockbroker likely to be developed into a substantial private client business with the investment management provided to complement its life insurance product range.

Quilter Goodison says that the life insurance business has penetrated most of its potential markets quite broadly but in very little depth. While it has an extensive customer base, most customers hold only a tiny amount of life insurance, and average expenditure is only about 2.5 per cent of income.

In common with other savings areas life insurance is heavily reliant on the top 5 per cent of earners.

An important area which the analysts believe will continue to provide growth for life insurance is pensions. The changes to the State Earnings Related Pension Scheme and from active Government encouragement toward personal pension schemes should stimulate volumes in this area.

The customer base of the life insurance business also provides a substantial market for development of pension business.

To increase market share in some classes of business companies have diversified out of traditional methods of marketing.

Direct sales forces have been created by some in response to the aggressive growth of groups such as Allied Dunbar and Abbey Life.

The direct sales forces of these companies, the originators of this approach, are estimated at 3,000 and 2,500 respectively, against Legal & General's estimated 1,200.

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THE NETHERLANDS

Aldeburgh Festival

Ronald Crichton

The recent death of Peter Pears underlines a sense of hiatus over the summer festival at Aldeburgh. What should they do next? Adjustments and slants of policy — more of this or that kind of old or new music, the featuring of this or that eminent performer — will not alter the fact that there are essentially only two things to do: stop or go on.

Since Aldeburgh remains a most agreeable place, since so much irreplaceable musical and administrative expertise has been built up over the years, one hopes they will go on. That, however, implies financial security and the ability to plan well ahead with official and private sponsors willing to bear less than full houses for the more enterprising mid-week concerts which go off the beaten track. The operas and big concerts at the weekends will no doubt go on drawing full houses.

There is one more trump card. The Snape Maltings is by and large our most satisfying concert hall for sound. It is comfortable and pleasing to look at to a degree which makes up for lack of big city amenities—in these islands not much to talk about anyway. Think of a crowded concert on a hot evening in the main hall of, say, Edinburgh or Brighton.

Absent from Aldeburgh for a few years one forgets the warm immediacy of the Maltings acoustics, the sense of space combined with intimacy, preserving contact with the source of sound. A few pages of Britten's Sinfonietta at Wednesday evening's concert was enough to freshen the memory. This was a London Sinfonietta programme conducted by Oliver Knussen, including the first performance of Rupert Bawden's *Le Livre de Fauvel*.

Bawden describes the work as "scenes and songs from a ballet that got no further than the drawing board." Fauvel, a donkey whose vices win him great worldly success is the anti-hero of a medieval French satire. The suite of three composite movements salvaged by the composer is written for soprano, mezzo soprano (Eileen Hulse and Mary King) and an instrumental ensemble including heckelphone and alto trombone.

The music hardly suggests a profound natural feeling for the dance. Bawden has on the other hand succeeded where many inexperienced ballet composers fail, in respecting dancers' limbs and lungs by keeping his sections short. At this first hearing textures sounded unduly thick—an impression not corrected either by the addition of the two unusual instruments named above or by using the two singers more often together than separately. It was a little hard for Bawden to be followed by Stravinsky's Eight Instrumental Miniatures, nothing if not transparent, and by Henze's *Miracle of the Rose*, lush and prolix but sure in aural effect.

Some of the artists, including the singers, were heard Thursday afternoon in Aldeburgh Church celebrating the 50th birthday of the composer and teacher John Lambert. Two string quartets, the cantata *Veni Creator* and a piece for oboe and harpsichord, *Orpheus Cycle II*. All were concerned in some way with oppositions, interreactions, and evolving contrasts between timbre, rhythm and speed.

One could speak of collisions, if that weren't too forceful a word for these tiny wisps of sound brushing against one another. The dynamics are lower than Lambert's use of phrases like "inexorable advance" and "climactic moment" suggest, working from near-silence not very far upwards. It was worth the effort, especially in the Second Quartet, where the formal scheme was fleshed out with tautness and wry ideas.

Ceremonies/Sadler's Wells

Clement Crisp

The first performance of Christopher Bruce's *Ceremonies* by Ballet Rambert on Friday night was attended by that trauma dreaded by every ballet company: the loss of an irreplaceable dancer. Just two hours before curtain-up, Michael Hodges was injured. On the honoured principle that the show must go on, the programme was altered sufficiently — works seen earlier in the week substituted for the scheduled pieces — to give the choreographer three hours in which to teach Bruce Michelson the role from scratch. To Mr Michelson's vast credit, and to that of his colleagues in the company, the feat was achieved, and with nerves perhaps a little bit more like harp-strings, Ballet Rambert showed us *Ceremonies* as they had promised.

I wish I could say that, in the event, the wait had been worthwhile. *Ceremonies* is an example of those "beast in man" ballets that choreographers produce to remind us of the goat beneath the skin. There is a programme note, wholly unhelpful, which talks of Dr Dee, the first Queen Elizabeth's astrologer, of Enochian keys and earthbound pleasure. There is a score (*The Seventh Enochian Key*) by Edward Shipley, which mingles Elizabethan sound with much harsher modernism. There is a handsome set by Pamela Marre of a temple in a wood, whose pillars lean further and further off-centre as the cast (in Elizabethan dress, until they strip for action) become more orgiastic in their behaviour.

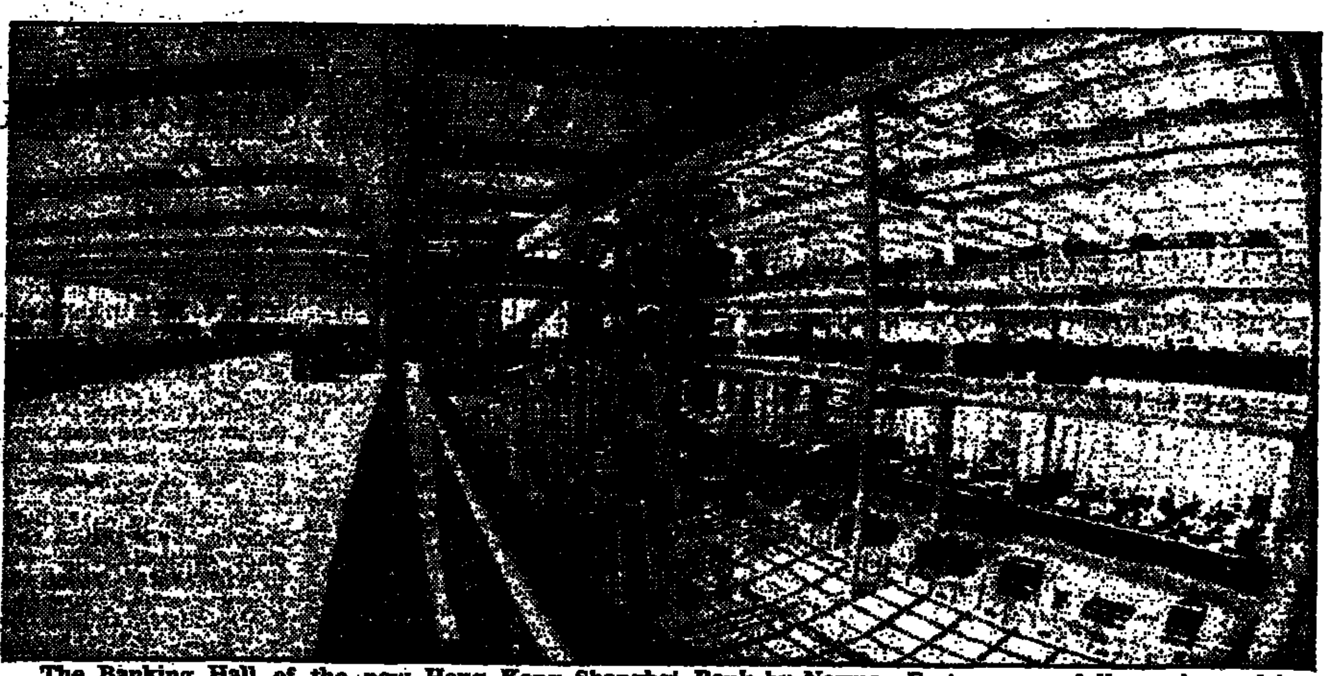
It is predictable, with paddling in skirts, sudden couplings, and those literal gropings which too rarely are transformed into choreographic imagery. The four couples who yield to the calls of the flesh respond in varied if not very ingenious ways to their lusts: Siobhan Stanley and Ben Craft appear to enjoy themselves without too many complications; Diane Walker has tamed Robert Poole into an animal who crawls at her side, in the most telling writing of the ballet; Frances Carty, Christopher Carney and Bruce Michelson would have us believe that three's company.

A supposedly shocking finale finds Sara Matthews sacrificed to whatever guiding force has directed events: the effect is bold but dramatically gratuitous. We nowhere sense any reasoning or dramatic argument behind this activity, nor see a thematic logic to the piece. It amounts to nothing but voyeurism tricked out with period costume. *Ceremonies* is sponsored by American Express.

RCM appointment for James Lockhart

The Royal College of Music has announced the appointment of James Lockhart as head of the Opera School. He is at present music director of Koblenz Opera but the RCM states that "provision will be made to allow him the flexibility necessary to continue his conducting career."

The RCM Opera School has been restructured to include Mary Hill as director of opera studies. The new Britten Opera Theatre will be opened in November, the performances to be conducted by James Lockhart.



The Banking Hall of the new Hong Kong Shanghai Bank by Norman Foster successfully engineered by Ove Arup and Partners

Architecture/Colin Amery

The creative role of engineers

If there are any architects in Heaven they must be rejoicing at the undoubted fact that there is a public renaissance of interest in their discipline. This interest, at least in Britain, has been much stimulated by the distribution of gongs and prizes, epic treatment on television and even occasional pronouncements from the environs of the Throne.

However it takes more than a revival of interest to activate a whole profession, more than a few well chosen words to transform a culture. To measure the true success of any such revival it remains necessary to examine the solid evidence. Is the general standard of architectural design improving? Are you conscious of the stimulating impact of good design on your daily working life?

Is it true that good architecture now helps to let buildings? Is British design as successful as British pop music (in 1985 almost half the number one singles in America were made in Britain—British architects and designers were less evident)?

As I write this column the 1986 Aspen Design Conference is drawing to a close in Colorado. This year the premier event has been devoted to British design and it is examining questions as wide apart as, "What lies behind the intriguing co-existence of a vibrant youth street culture and a conservative social establishment?" and "Does British design thrive despite a hostile cultural environment?" Although some distinguished architects like Norman Foster and James Stirling will be presenting their work, there is inevitably an air of the Princess of Wale's polka-dot socks about the whole affair. Serving up Sir Hugh Casson and our own Sir Roy Strong along with daily doses of "traditional British tea featuring scones, crumpets and Dundee cake" does not suggest that the conference is about much more than styling.

However, it would be churlish to undermine the air of confidence generated by events like Aspen; my worry is that design has just become another buzz word—certainly we have a long way to go on the environmental front. Any visitor to Liverpool or Oxford Street, or some of the revamped stations of both British Rail and the London Underground, will soon see that all is not well.

It is hard to escape the conclusion that, despite the public debate about good architecture and design, the actual understanding of architectural quality is not so easily achieved.

It is a curious situation, when there are more good developers and entrepreneurs than ever, that they should be faced with a shortage of design brilliance. It is still necessary to move the whole question of art, technology and architecture into the school curriculum. The establishment of a more informed architectural debate in the media and the planning committee rooms is still in its infancy.

At the Tecno (UK) Limited showroom at 19, New Bond Street, London, W1, there is an important exhibition that crystallises some of these questions. It has been organised to mark the publication of a slim volume called Technology in Architecture, a summary of the approach to the art of architecture by Ove Arup and Partners. This great firm of engineers have been the backbone of most important new building projects since the war. They may sometimes feel that the engineer is the unsung hero of the architectural world. If we understood a little more about the service that engineering supplies to architecture we may come nearer to an understanding of what contributes to architectural quality.

Ove Arup, now the great maestro of his profession, writes clearly in the book that accompanies the exhibition about the process of design. It is a complex process unifying a variety of design decisions into a whole that will be seen as a comprehensive and satisfying solution on all fronts. Look at the Sydney Opera House and the Hong Kong Shanghai Bank and you will see that the engineer not only made the architecture possible but frequently plays a highly creative design role.

Piano and Fitzerald's new museum for the Menil collection in Houston not only looks conceptually one of the most fascinating new museums but is clearly an example of a totally integrated engineering and architectural approach. A roof designed for natural light beneath which works of art are shown only for short periods marks an intriguing departure from traditional display policies.

There are 17 structures in this intelligent exhibition. Each one clearly demonstrates the highest possible levels of engineering and design skills. Arup is the lode star of the profession—the great worry remains that their level of consistency and design inspiration is still such a rarity when it is needed so badly.

Charlie Girl/Victoria Palace

Michael Coveney

Charlie Girl, a tediously unmemorable musical of 1965, is always quoted, not for its songs, but for the fact that the critics panned it and the public defiantly flocked to see it for six years. The great coach party success was founded on a combination of Anna Neagle's enduring popular appeal, Joe Brown's pre-eminence in the charts (in spite of the Beatles) and Derek Nimmo's sudden television fame.

Now we have the same old show—even the original advertising logo of a retroussée-nosed copy smiling "Charlie" is retained—with Cyd Charisse as the "nouvelle pauvre" aristocrat forced to open Hadley Hall to the public to pay off the death duties; Paul Nicholas as the Cockney pools-winner who sings, excruciatingly, of fish and chips before acknowledging his good luck and marrying the tomboyish eponymous heroine; and Nicholas Parsons as the "Littlehills" employer whose romantic snobbishness is briefly frustrated by the necessity of acting the part of a butler.

The book by Hugh and Margaret Williams, with Ray Cooney, is a straightforward rewrite of the Cinderella story, with the slight transatlantic variation of Lady Hadwell locking legs and social ambitions with her pushy American counterpart Mrs Connor (whose vain and smoochy son Jack, played to the grisly hilt by Mark Wynter, temporarily diverts Charlie from her Buttons).

These ladies, playing against their respective nationalities, are Cyd Charisse and Dora Bryan. They make a pair of game old birds whose achievements in songs and dance invite applause on a "marks out of ten for effort" basis.

Frankly, I would prefer to remember Miss Charisse for her films, especially the long duet in *Silk Stockings*. Here, her face straining with surprise, voice cracking with ill use, she displays her still luscious thighs and inside-legs as if they were luxury items in her own veteran car museum. Engine needs cranking up, but the upholstery's still in order.

This is all faintly dirtasteful, especially in an Act One finale which finds Miss Charisse borne aloft on a pedestal surrounded by a bevy of male dancers in a garden of gushing fountains that recalls the bad old days of Robert Nesbitt's Talk of the Town shows. I would rather not dwell on Nicholas Parsons demonstrating the Lotus Position, or Dora Bryan attempting to put her right foot in her left ear; but, after that, Miss Bryan essaying a modest tap routine and bashing out a few notes on the xylophone is akin to watching the sick man in the New Testament take up his bed and walk.

The music and lyrics of David Heneker and John Taylor rely heavily on reprises of the mediocre title song and a deadly mixture of slushy triple time songs and inane 1960s cliché.

Söderström and Bloch

David Murray

Elisabeth Söderström appeared in the Covent Garden recital series on Thursday in her usual irresistible form. A few high notes in the first half were a matter of reaching up and just about touching, but for the high-romantic Russians in the second half she was in strong, confident voice. Earlier she was charming in Grieg, sophisticated in Liszt (though in less good French than I had remembered). Among her Schubert were a fine, unforced "Gretchen am Spinnrade," a very pretty "Musensohn" and her elaborately characterised "Erlkönig," perhaps too cleverly done to be moving.

She had begun with Liszt, and by "Comment, disaient-ils" it was clear that her pianist Boris Bloch would make an extremely positive contribution to the evening.

Not only does Bloch make appreciative faces while he plays, and fascinating surgical gestures, but he is a strong and subtle musician with an impressive sweep at the keyboard. (He contributed some spoken dialogue to the Tchaikovsky "Zemfira's Song," too.) Since the Söderström presence and charisma are proof against almost any competition, she could afford to enjoy the rich meals he made of all his epilogues.

Granted the forward manner, Bloch is furthermore a superlative partner. His timing and sympathy were admirable, and in Tchaikovsky and Rakhmaninov—who gave him lavish solo opportunities—he kept his brilliance in scale with the soprano without underplaying.

She in turn flung out passionate lines with security, and in Tchaikovsky's "Was I not a blade of grass?" and "Why?" she was melting and poignant without apparent artifice: haunting performances. The delicate shades of Söderström's timbre were projected with surprising success — the Royal Opera acoustic does not flatter solo recitals.

Mary Stuart/Coliseum

Richard Fairman

Donizetti's *Mary Stuart* is renowned as an unlucky opera. Singers have invariably failed to turn up for it since its Milan premiere in 1835, and English National Opera found themselves unwittingly keeping up the tradition when they lost their soprano for this revival. They lost the Greek soprano Jenny Drivala for the first night and at this performance the title-role was taken over by Faith Elliott, making her debut with the company.

It is a taxing, but rewarding part. Those who accuse Donizetti of writing the same opera over and over do him no justice at all. Although the score of *Mary Stuart* is not even in quality, its music always shows a sensitive touch to its subject: in Mary Stuart's solos Donizetti fashions vocal lines for this character and no other with simple, limpid scales and chromatic notes of pathetic sweetness.

It is a style that Faith Elliott finds very sympathetic. Her entrance aria had broad, not choppy phrases; the A flats at the top of the line were touched in lightly; and the cadenza was affecting as music, not just a show of scales. The voice is perhaps a shade on the small side as yet for this theatre, but everything she did was musical and at its best this was singing of real beauty.

She also treats the part very much in her own way. After the tensions and stage gestures of Miss Drivala, this Mary Stuart was reassuringly stable, a humble figure who approached Jane Eaglen's bully of an Elizabeth with real apprehension. And in the confession scene with Talbot she touched upon the very heart of the role: a portrayal of inner dignity, eloquent in the recitative and radiantly calm.

The rest of the cast gave excellent support. Only more fire, more pace and (occasionally) more accuracy from Peter Robinson and the orchestra would have given the evening a greater lift.

Simon Boccanegra/Glyndebourne

Max Loppert

Mario Malagnini, the young Italian who made his Glyndebourne debut in the later stages of last year's *Carmen*, has taken over as Gabriele Adorno in the new Verdi production. The role was built for a singer of Otello stature, and Malagnini's tenor is quite definitely not that; but then, the size of the theatre makes domination by sheer volume unnecessary, and the clean, unforced, open attack and the pure vowels and consonants of this young singer were additionally welcome for not being matched anywhere else on the same stage.

There is more to Verdi than he has yet discovered. More lyrical shaping of the lines is needed, more shading of the words, more cast-iron certainty of pitch; in the awkwardly exposed Act 1 duet with Fiesco, his movement through the *passaggio* (that so-called break between registers) was not without strain. But the style is attractively free of vulgarity and commonplace emoting, and the demeanour is dignified.

After the première David Murray gave on this page a comprehensive survey of the shows many weaknesses, but closed it on a note of cautious optimism for possible future improvements. Some of these are taking place. Haitink, as conductor, is already on the way toward a profound understanding of the work's special character, and genuine Verdian insight already informs the sweep of some scenes. Carol Vaness (Amelia-Maria) was in ample lustrous voice (though her failure to engage with words robs the singing of its fullest impact).

But so many infelicitous touches mar the production, and the settings for two of the three "public" scenes are of such ghastely ineptitude, that it is difficult to see how further improvement can be effected without major overhaul. A baritone in the title part in less obvious difficulty with his top notes would help a lot.

Picasso sketchbooks at Royal Academy

An exhibition showing 300 pages from 45 of Picasso's sketchbooks will be seen at the Royal Academy of Arts, Piccadilly from September 11 to November 23.

The exhibition is sponsored by American Express and organised by the Pace Gallery, New York. It will then tour the States before returning to Europe.

Sally Burgess/Festival Hall

Max Loppert

Sally Burgess, one of the bright ornaments of the English National Opera, is also capable of shining in song recital. Last Thursday's recital showed that the voice has flourished since its translation from soprano to mezzo a couple of seasons ago. It sounded warm, full and fluent (downward transposition of most of the songs no doubt helped to keep it in its most effective regions); there was much impressively ample and expansive singing, and also some lovely fining-down of the tone where it was needed. This is a singer who takes care over her legato; long lines (as in the Schumann-Eichendorff *Liederkreis*) are drawn out with a smooth shapeliness that is by no means a common feature of today's Lieder-singing.

But there was more to the occasion than mere vocal prowess. As theatre audiences know well, Miss Burgess communicates—with her words, with her tone colours, with her quick, intelligent musicianship. In these respects, indeed, the recital sometimes fell slightly short of expectation: almost all of it was in German and French, languages used well but not yet with unfailing vividness. A Fauré group seemed careful rather than spontaneous, with backward consonants (but clarity and spontaneity in Fauré are among the rarest attainments). Chabrier's "Cigales" and song of the ducklings were more freely pointed, so the way ahead has already been glimpsed. In two Duparc *mélodies* the balance between lyricism and dramatic fervour was surely found.

The Schumann cycle was, by contrast, another oddly respectful performance; details were deftly etched, yet the movement of the whole was not totally easy. Miss Burgess needs to give many more recitals, and learn to loosen up in them; voice and style are there, and now only the "next dimension" is wanting. She has found herself a good partner in Julius Drake, a sensitive sympathetic pianist. In Fauré he too had not quite mastered the combination of forward movement with flexibility of phrase ("Les Berceaux" dragged a little), but his instincts are the right ones.

Arts Guide

June 20-26

Music

ITALY

Rome: Villa Medici (French Academy): (Baroque Music Festival): On Monday, the Ensemble 2e 2m playing music by Giraud and Cavanna, and on Tuesday, Electric Phoenix Purcell, Landovsky, Messiaen and Gabrieli. (6561271).

NETHERLANDS

Amsterdam, Concertgebouw. The Netherlands Philharmonic conducted by Antoni Ros-Marba, with vocalists and choir. Beethoven (Mon). Daan Admiraal conducting the Free University Orchestra, with Jan Wijn, piano, and Piet Hulsebos, organ. Berlioz, Ravel, Saint Saens (Thur). (718345).

Marie-Claire Alain on the organ of Amsterdam's Waalse Kerk. Bach, Couperin, De Grigny (Thur). (AUB Leidseplein).

NEW YORK

Merkin Hall (Goodman House): American Composers Orchestra, Paul Dunkel conductor, Perry Robinson clarinet, Laura Karpman (world premiere), William Mayer, Gary M. Schneider, Elliot Sharp (world premiere), Elias Tanenbaum (world premiere) (Mon); William Powell clarinet recital with Virko Baley piano. Joji Yuasa, Kathleen St. John, Virko Baley, Valentin Silvestrov (Tue); Robert Herring baritone recital with Stanley Sonntag piano. Quilter, Duparc, Strauss, Tosi (Wed); Japanese Music Ensemble of New York. Works by Ronnie Selden and traditional Shakuhachi repertoire (Thur). 67th w. of Broadway (3628719).

WASHINGTON

Summer Festival (Concert Hall): Highlighted by a visit from the Newport Folk Festival in August, this summer-long string of popular singers and musicians includes recital performances by Neil Sedaka, Shirley Bassey, Dionne Warwick and Petula Clark. Ends Aug 27.

TOKYO

Bruno Rigutto (piano): Chopin, Schumann, Debussy. Tokyo Bunka Kaikan Recital Hall. (Mon) (2379990; 3540101).

Patrick Gallois (Flute): J. S. Bach, Tchaikovsky, Mozart. Tokyo Bunka Kaikan Recital Hall (Tues) (2351661; 2379990).

Mika Enjbo (Flute): J. S. Bach, Mozart, Taffanel, Reinecke. Ongaku no Tomo Hall. (Tues) (5711689).

Tokyo Symphony Orchestra, conducted by Kazuyoshi Akiyama, with soloists and chorus in Schoenberg's Gurrelieder. Tokyo Bunka Kaikan. (Thurs) (3626764).

Reitel Yoh (Piano): Beethoven, Chopin. Tokyo Bunka Kaikan Small Recital Hall. (Thurs) (2856381).

Contemporary Music Concert: works by foreign composers include David Loeb's Concerto Suite. ABC Hall, near Shiba Koen subway station. (Wed) (3784741).

Saleroom/Antony Thorncroft

A Polaroid Mantegna

A previously unrecorded painting by the late 15th century Italian artist Mantegna sold for £1,652,098 to a continental dealer at Sotheby's Monte Carlo saleroom on Saturday night. It depicted the Holy Family with Saints and came to Sotheby's notice via a Polaroid snapshot from the Marseilles family that owned it.

Although the painting was not in very good condition, and requires relining and cleaning, the price was way above forecast, but still far below the £8.1m which another Mantegna fetched in London last year, a record for any painting at auction.

The Monte Carlo sale totalled £3,335,917, with a low 8 per cent unsold. An American dealer paid £330,419 for "The Doctor's visit" by the 17th century Dutch artist Frans van Mieris the Elder, a record for him.

This week the action turns to London where both Sotheby's and Christie's hold their major summer actions of Impressionist and modern pictures. Tonight Christie's offers an important portrait by Modigliani of his mistress Jeanne Hébuterne. She committed suicide two days after the artist's death in 1920. A smaller portrait of Mlle Hébuterne was sold by Christie's in 1984 for £702,000 and this new work, which has featured in every major exhibition of Modigliani, since the War, should fetch well in excess of £1m.

In the same sale 10 Impressionist paintings from the collection of the late Mrs Neville Blond, daughter of Michael Marks, a founder of Marks & Spencer, come under the hammer.

Sotheby's also has a Modigliani in its sale on Tuesday night, a portrait of Minoutchka, painted in 1917 and carrying a top estimate of £600,000. Its most important offering is "Violin et gravure accroche", one of the first collages of Juan Gris and completed early in 1913. It has been much exhibited and discussed and carries a top estimate of £900,000.

There is a group of four bronzes by Degas, including his finest horse sculpture "Cheval au galop sur le pied droit", the fourth of an edition of 22 and estimated at up to £120,000.

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Monday June 23 1986

Geneva talks on the move

PRESIDENT REAGAN is right to welcome the most recent Soviet proposals for arms control, which he says could represent a turning point in the search for a safer and more peaceful world. For many months the Russians had presented a divided face to the world: a multiplicity of public propositions, some of which looked superficially attractive, but which contrasted with a stony rigidity at the negotiating table in Geneva. Quite recently, however, they have started to make moves in Geneva which could break the negotiating log-jam.

President Reagan's public, almost effusive, welcome for these signs of negotiating movement is as important and as encouraging as the Soviet moves themselves. The US Administration has long presented a divided face of its own, with an undisguised conflict between the proponents and opponents of arms control. That battle is not over; the enemies of arms control believed they had won a signal victory in persuading the President to give notice of his intent to abandon the arms limits of the Salt 2 treaty. But President Reagan's speech in Glassboro has significantly tilted the balance in the other direction and should give real encouragement to the arms controllers in Moscow as well as in Washington.

Technical obstacles

The Soviet Union has moved significantly on at least two crucial issues; the fact that it has not moved on a third issue, may yet prove just as significant and just as encouraging. First, in the strategic arms reduction talks (Start), it has reverted to the definintion of "strategic" which became traditional in the Salt treaties: long-range, inter-continental weapons. Until recently, it had tried to redefine "strategic" as any weapon which could hit the homeland of the superpowers. Not only would this have dragged in many US weapons in Europe, it would also have created a hopeless confusion between strategic weapons and Euro-missiles; on both counts it made negotiation and agreement impossible.

The change of definition does not, of course, solve all problems. There are enormous technical obstacles still to be overcome; numbers of missiles and warheads, the mix between land-based and sea-based missiles, the disparity in megatonnage, the place of bombers with air-launched cruise missiles, whether sea-launched cruise missiles should be limited and if so how? Nevertheless, the Soviet move towards a common definition of "strategic" at least unlocks the door so these issues can at last be negotiated.

Second, the Russians appear to be adopting a much more tolerant attitude towards President Reagan's Star Wars anti-missile defence programme. They want a clarification and a tightening up of the Anti-Ballistic Missile (ABM) treaty, to prevent testing or deployment of Star Wars; and they want an undertaking that the US will not break the ABM ban on missile defences for an extended period—say, 15 or 20 years. But they seem to have given up the attempt to ban all Star Wars research, even in the laboratory.

Separate agreement

If confirmed, their new position has two merits. Deep cuts in strategic weapons would take over a decade to achieve and consolidate; some way would have had to be found to ensure the ABM constraints would also remain in force for the same period. Moreover, the new Soviet position would allow President Reagan to claim that his Star Wars vision remains intact, even if it cannot be tested for a while.

By contrast, the Soviet Union has made no new move on Euro-missiles or on its demand for a freeze in the British and French nuclear forces. At the Geneva summit last November, the two leaders spoke encouragingly of a separate agreement on Euro-missiles. The Russians may now have at last concluded that it is in reality impossible to settle any of the European nuclear weapons issues, until there is the basis for agreement on strategic and defensive system.

The superpowers have been under increasing time-pressure to break the Geneva log-jam. They are committed to a second summit this year, but it could prove counter-productive for both sides without clear promise of negotiating progress. It may be that President Reagan's notice of intent to abandon Salt helped shift the Russians; or it may be that it has taken time for the Russians to decide on their strategy. Either way, the chances of, and prospects for, the second summit now look very much more encouraging.

A framework for local democracy

EVERY NOW and again British ministers, exercised by a particular political difficulty, set up a committee of inquiry which then fails to deliver the expected political result. The fate of such reports, of which the Widdicombe Report into the Conduct of Local Authority Business is the latest, is usually to be welcomed by ministers with a promise of lengthy consultation. They then wither on the dusty shelf.

The Government's reception of the Widdicombe Report suggests it may already be gathering dust. That would be a pity. In spite of its indigestible presentation and excessively technical recommendations there are some underlying themes to the report which would strengthen the battered institution of local government.

The inquiry was initiated by ministers alarmed about the growing politicisation of local government, especially the political pressures faced by some senior officers. Those ministers hoping the answer would be yet more central control have been disappointed by the committee under the chairmanship of Mr David Widdicombe QC. It has instead opted to try to make local government work in the common-sense way most people assumed it worked until a noisy minority of councillors started to flout both convention and statute, exposing a remarkable lack of clarity about local government's constitutional position.

Spending power

Not only has Widdicombe recommended retention of councils' wholly discretionary spending power, which ministers would like to abolish. It has also suggested that it should be increased immediately from a 2p rate to 4p for the councils whose top-tier authorities have recently been abolished. This includes all the London boroughs and all the metropolitan district councils.

The Widdicombe Report's most important contribution is to suggest ways of clarifying the roles of the various players in a local authority — the public, the elected member and the professional officer, particularly the chief executive and the treasurer. In so doing the report seeks to strengthen local autonomy while identifying ways of keeping political manipulation and abuse of political power out of the administrative corridors of town halls. Any government intent of taking more central control of councils will find no comfort here but neither will the new breed of municipal politicians such as Lambeth's Ted Knight and Liverpool's Derek Hatton;

Short list

Rather than shelve the entire report the Government should sift the impossibly long list of 88 recommendations carefully. Those which are naive or unenforceable should be dropped, together with those that could be better dealt with in existing codes of conduct.

That would leave a short list of important proposals for statutes to tidy up some of the messier bits of local government life: a legal requirement for fair party representation on committees with protection for the rights of individual councillors and minority groupings; a stronger role for the chief executive who would be the ultimate authority on the administrative side and the ultimate arbiter on issues such as party balance on committees; a simple system of paying allowances to councillors ranging from £1,500 to £4,000 a year with up to £10,000 a year more for full-time leaders of large councils; a ban on all principal council officers from standing for election to another council but freedom for all officers below this rank to participate in political life.

The principles behind such ideas would enhance democratic local government in ways which ought to attract support from all political parties. More important, they represent a first step towards codifying the constitutional position of local government and its participants which could, in turn, be the start of a framework in which the much-disputed constitutional relationship between local and central government finally comes to be codified, perhaps in a Bill of Rights. In that sense the Widdicombe Report may be much more significant than a first reading suggests.

GATT AND WORLD TRADE

A suitable case for salvage

By Christian Tyler

THE JAPANESE Ministry of International Trade has just told its motor manufacturers to curb their booming sales of cars to the EEC in an attempt to deter the Europeans from imposing tariffs.

At the same time the US and Japanese governments came closer to an agreement on market sharing and supervision of the cost and price of semi-conductors.

Despite the customary official denials, both these arrangements are examples of trade management — not to say cartelisation. Informal and voluntary they may be, but both contain the implied threat from Japan's trading partners that formal barriers — quotas or extra tariffs—will be imposed if Japanese companies do not obey.

They are yet two more instances of "black protection" at work in world trade.

The protection they give European carmakers and American chipmakers is "black" because, like the black market or the black economy, it lives outside the rules of the game.

The rules of international trade are not mere commercial conventions. They are written down in the 38 articles of the General Agreement on Tariffs and Trade, a binding set of obligations that is meant to ensure that trading concessions to one partner are extended to the other 90 member countries. The Gatt also lays down when and how countries may protect their domestic industries, and what compensation they must make in return.

Since its foundation in 1947, the Gatt is credited with having made a vital contribution to the remarkable growth of post-war trade and production. In seven rounds of negotiation, average import tariffs of the industrialised nations have been reduced to 4-8 per cent from about 40 per cent.

The tariff is the "clean," visible, non-discriminatory and readily-negotiable method of protecting industries from foreign competition. But as tariffs have come down, non-tariff barriers have gone up.

Increasingly, too, the cries of "unfair" from injured manufacturers have forced governments to abandon the principle of non-discrimination and to single out the offending sources.

Today the point has been reached where economists and free-market politicians believe the Gatt is being eroded to the point of collapse. "I see the system moving towards managed trade, as large parts come under surveillance," says Mr Michael Finger, chief of international economic research at the World Bank.

And Mr Hugh Corbet, director of the London-based Trade Policy Research Centre, says: "I think the system really cannot carry on very much longer with the various Gatt rules, never mind the general principles, being regularly broken or misinterpreted."

With a new global trade negotiation due to be launched in September, government officials deny that a collapse of the Gatt is either imminent or likely, but agree that political commitment to the system is crumbling.

Trade experts trace the decline to the early seventies, to government intervention, industrial strategies, the effects of the oil price shocks and the worldwide recession. Today, in contrast, deregulation is the ascendant philosophy in the West. Yet the pressures for protection remain strong. That pressure is explained by a US trade deficit of nearly $150bn last year, a Japanese surplus on current account of nearly $50bn, and record unemployment and low growth in Europe.

The US, traditionally prime mover and defender of the Gatt, is frustrated by what it sees as the failure of procedures to redress wrongs against it—particularly European wrongs. Thus a predominantly free trade Administration, harried by a militantly protectionist Congress, has occasionally resorted to the threat that it will leave the Gatt to its fate, and start afresh with a set of like-minded partners.

For all the criticism levelled against it, Japan can no longer be counted among the more protectionist countries—at least in terms of measures taken at the border. Industrial tariffs are low and the government is one of the few dismantling other barriers such as certification procedures in response to western diplomatic pressure.

And yet even outside the obvious cases of agriculture and leather, the Japanese market has proved famously difficult to penetrate. Western trade negotiators conclude that Japan's barriers are a much more subtle combination of administrative guidance, bureaucratic foot-dragging, controlled distribution channels and public attitudes—all that is implied by the phrase "low import propensity."

Meanwhile developing countries regard the Gatt as a rich man's club which allows discrimination against their textile exports and subsidies that undermine their agricultural trade. On the other hand, they enjoy considerable dispensation from the Gatt rules, including duty-free exports under the so-called generalised system of preferences, the right to control imports when they get into balance of payments difficulties, and formal recognition of the needs for development.

Measuring the extent and impact of non-tariff barriers to trade is difficult.

In a study this year, the World Bank calculates that 27 per cent of the imports of 16 industrial countries are subject to five main types of visible control. The goods most affected are food, textiles, minerals, fuel and iron and steel.

According to an earlier list compiled by a British Government economist, the UK, a proudly "open" trader, has restraints (mainly through the EEC) on footwear, pottery, cutlery, music centres, televisions and cars from Japan and other Asian countries. It controls imports of Christmas cards from the Soviet Union. It restricts fertilisers, matches, leather gloves, carpet yarn, jute and hats from the Comecon countries and Asia. Forklift trucks and computer - controlled machine tools have recently joined the list.

For all that, British non-tariff barriers affected only 7 per cent of its imports in 1980, while there were tariffs on 17 per cent of imports. With double counting removed, the two kinds of barrier affected 22 per cent of imports.

Non-tariff barriers in other developed countries covered 8 per cent of imports, while the figure for centrally-planned economies was 12 per cent and for developing countries 15.

"Black" protection is sometimes ingenious (pollution controls that keep out competitors' luxury cars), sometimes mischievous (seasonal tariffs on early-ripening tomatoes), sometime arbitrary, directing goods to a small customs post deep inland), and sometimes just plain xenophobic (altering product safety tests without telling foreigners).

But the main methods examined by the World Bank included monitoring of prices and volumes by official committee — the most prevalent disincentive to trade — imposing quotas (which can lead to bizarre auctions in exporting countries) and forcing exporters "voluntarily" to set limits. The last type may be easy to arrange because it enables the seller to raise his prices in compensation for a lower export volume. A smaller proportion of world trade, under 4 per cent, is subject to minimum price arrangements or variable levies and tariffs.

Trade in farm products and in textiles and clothing is almost entirely managed, the former mainly by price and quantity, the latter by "voluntary" negotiated quotas. Agriculture has been removed from the full force of the Gatt rules —those forbidding the use of export subsidies, for example. Non-tariff barriers now cover about 36 per cent of the EEC's agricultural imports, 24 per cent of those of the US, 43 per cent of Japan's and 73 per cent of Switzerland's.

The Multifibre Arrangement is even more restrictive, covering an estimated 80 per cent of world trade in textiles and clothing, and is a formal exception to the Gatt rules. A successor to the present MFA is now being negotiated. In the US, textile protectionists have been politically influential, and a revamped version of a tough bill vetoed by the president is expected to reappear this autumn.

World trade in steel, too, is no longer free in any real sense. It has taken less than a decade for international iron and steel markets to fall under government regulation, although the percentage of imports covered by non-tariff barriers is still less than in the case of agriculture and textiles.

Observers have detected a progressive tightening of import controls worldwide over the last decade or so—not least over the products of the poorer countries. The World Bank has counted a net increase of nearly 2,500 non-tariff barriers in two years alone.

The last round of world trade negotiations in the Gatt, the Tokyo Round, ended in 1979 after six years. Its main achievement was to reduce industrial tariffs in the developed world by nearly a third on average over eight years.

There were special arrangements on beef and dairy products, and agreements covering trade in civil aircraft sales, government procurement, import licensing, technical barriers to trade, customs valuation, subsidies, and penalties for dumping.

Even as the ink was drying on these agreements, however, governments were finding ways round their Gatt obligations. The rapid advance of Asian competition, in electronics for example, has proved too strong for principles to be maintained.

At the same time new preoccupations have emerged, such as the need to halt the proliferation of barriers to trade in services, from banking to air travel to engineering consultancy. Services account for an estimated quarter of world trade; most of the richer nations now argue that unless the link between goods, services and overseas investment is recognised in new Gatt agreements, the institution will become simply redundant.

Furthermore, the Gatt's procedure for processing complaints and dispensing justice is widely regarded as inadequate: the text of the statutes is imprecise, the judgments of the dispute panels ambiguous, and the compliance of "offenders" tardy. That too has encouraged governments to exact redress outside the system, by direct negotiation and bilateral settlement with troublesome trading partners.

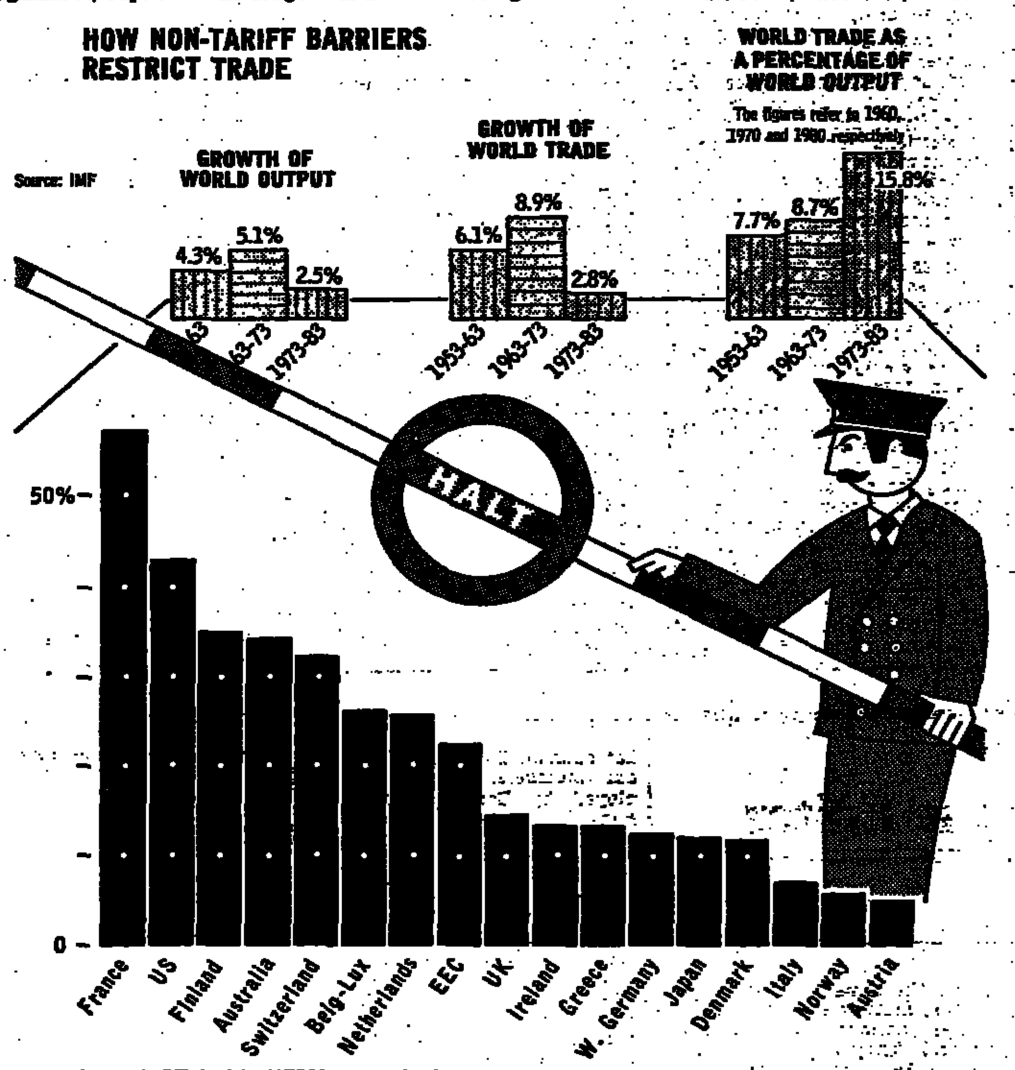
Relations between the three great partners, the US, EEC and Japan, have been marked by increasingly shrill complaints and hostile actions. The perennial transatlantic dispute over agricultural trade has resurfaced in an acute form as a result of the accession of Spain and Portugal to the EEC.

In September, ministers of the Gatt nations are to meet in Uruguay to launch the eighth round of Gatt negotiations. They agree that the principles and rules of the General Agreement are falling into disrepute, but progress towards an agreed agenda has been painfully slow.

When the preparatory committee in Geneva reports next month, the main areas of negotiation will have been identified: agriculture, especially tropical products, tariffs, emergency protection, subsidies and countervailing duties, developing countries' privileges, and the Gatt disputes procedure. No formal agreement is expected before September on whether new areas like trade in services, protection of patents and trademarks and trade-related investments will be added.

The slide towards politically-expedient but costly non-tariff barriers, expensive subsidies, bilateral arrangements under the counter, and confrontational trade diplomacy has shown the need for a big salvaging operation, but has left many trade experts pessimistic about the outcome. Once launched, however, the negotiation cannot be allowed to fail. Unless the confrontation can be stopped, to take the words of Mr Clayton Yeutter, the US trade representative, last week, "we're going to have sheer chaos out there."

HOW NON-TARIFF BARRIERS RESTRICT TRADE



SHARE OF A COUNTRY'S IMPORTS, BY VALUE, AFFECTED BY NON-TARIFF BARRIERS 1983

Source: World Bank; Staff Paper 789, 1986
Leighton Morris

Wimbledon's soft shoe sell

Wimbledon starts today secure in its reputation as the biggest and best organised tennis tournament in the world; and also financially secure. For all its years —this is the hundredth meeting —the All England Club has always managed to keep up, just, with the times.

A year ago it appointed 39-year-old Robert McCowen as its first marketing director with the task of ensuring that the Wimbledon name was exploited for the benefit of the Club, and tennis. He had the right kind of background—a languages degree, and years of experience at Slazengers, the sports equipment company, where he ended up as export director.

He was not starting from scratch. In 1978 the Club had, through Mark McCormack's IMG, negotiated a lucrative deal with Renown, the Japanese clothing company, allowing it to market a range of Wimbledon Championship gear, with the flying "W" logo in the distinctive purple, green and gold livery.

This was followed by other contracts in Japan so that the annual retail turnover there of Wimbledon goods — towels, belts, handbags, sunglasses, etc, is worth $15m, with the Club collecting a useful royalty.

With Japan sewn up McCowen has been free to concentrate on the big market, the US. The marriage between Wimbledon's exclusive image, and classy American stores like Sachs, Bergdorf Goodman and Neimann Marcus has been a natural.

The latest addition to the family of licensees is the Nike company. It has put over $2m behind an advertising campaign for the launch of the Wimbledon shoe, with a TV commercial featuring Sir Anthony Quayle reciting Kipling's "If," with the courts in the background.

There is also a link-up with the London poster campaign currently hitting many US cities with the aim of pulling back the tourists. It features a tease shot of a closed box with the legend "On June 23 Wimbledon will open." Today posters will proclaim "Wimbledon, the shoe." Nike hopes to dispose a 1m pairs of "the shoe" in the first year.

McCowen is not frantic for business. "We have time on our side," he says. "Wimbledon can afford to be selective. We want to get exactly the right company with the right image and the right product. We shall probably move into toiletries and fragrances next and into other markets — the Far East and South America."

The royalties from a worldwide retail turnover of $40m this year should, along with the TV fees and the marquee lettings that are the cornerstone of Wimbledon's extra income, enable the Club to avoid the ultimate degradation — having the Championships directly sponsored.

Men and Matters

"The score is 30 all—you fell asleep during last night's game—it's Wimbledon now"

Party piece

As the EEC's Agriculture Ministers gather in Luxembourg tonight for a dinner with the US Agriculture Secretary Richard Lyng many will be looking anxiously for Mr Francois Guillaume, the French opposite number. Will he be there, and if so will he come alone?

The get-together ahead of tomorrow's monthly meeting of Community farm ministers has been organised by Mr Lyng in a bid to lower the transatlantic trade tensions arising from the recent entry into the EEC of Spain and Portugal.

But while most Ministers believe the party will be a good opportunity for them to make their case Mr Guillaume has been displaying characteristic French "hauteur" by not making it clear whether he will attend or not. Yesterday he was "in principle" planning to be there, according to a source in Brussels, who added cautiously, "He might change his mind on Monday."

Mr Guillaume's "will he, won't he?" routine is explained by France's eagerness to take a tougher line against the Americans than his EEC fellows. In particular the French want to spell out the retaliatory action that could be taken if the US carries out its threat to increase import duties on port, brandy, and cheese next month.

Assuming Mr Guillaume keeps his appointment host and guests alike will be hoping that he does not make the sort of spectacular entry he accorded the Council of Ministers in Brussels during his time as French farm union leader. Among his entourage was a cow which was escorted up several flights of stairs into the Chamber where in a moment either of fear or excitement it eloquently made the lobbyist's point.

Saatchi saga

We've heard, a little, about the Saatchi brothers; now here come the Saatchi wives. While Charles and Maurice are remorselessly, if reclusively, cornering all the world's advertising expenditure their wives are spreading their entrepreneurial wings more openly.

Doris, the American wife of Charles, is credited with directing his attention towards buying contemporary art, and now superintends the most important private collection in the country while Josephine, wife of Maurice, has chosen the theatre for her stage.

She directs her first London production next week when Let Us Go Then You and I opens at the Lyric Studio in Hammersmith. She is also the producer, through her recently formed Angeltask company. The play, based on the writings of T. S. Eliot, may be appearing in a tiny theatre and for a short, one week, run but there is nothing small scale about the cast—Eileen Atkins, Edward Fox and Michael Gough. The narration will be shared between Melvyn Bragg and Joan Bakewell.

Josephine Hart (Saatchi) got into the theatre via poetry and art—she presented evenings of writings of the poets at the Odette Gilbert gallery. Even here the Saatchi name and money showed—Alan Bates was Philip Larkin and Robert Stephens portrayed Oscar Wilde. The Eliot is the idea writ large, but with the ultimate aim of bringing the quality of the fringe to the West End. Josephine Saatchi could be set on the same expansion trail as her husband.

Hot spot

Residents of East Sussex are obviously adopting a more relaxed attitude than most people to the dangers of nuclear power. A headline in this week's edition of a local paper reads: Council hold fire on nuclear dump.

Observer

Foreign Affairs: South Africa

No tactics, no strategy, no doubts

By Ian Davidson

Mr Botha and Mrs Thatcher: her government seems desperate to evade a decision

ONE of the most striking aspects of the growing furore over South Africa is the disarray of Mrs Thatcher's position. At any given moment, she proclaims that absolute certainty which is so characteristic of her personality. But from moment to moment, that certainty seems to shift in the most disconcerting way. At one time she says sanctions are out; at another, her government makes clear that measures are necessary; at a third, she boasts that the British Government has taken more measures against South Africa than any other major industrial country. If there are to be measures, they must be applied by all the major trading countries; but then again, they must not be mandatory.

Of course, Mrs Thatcher's position is consistent on the subject of apartheid: she deplores it. But her resistance to the idea that the rest of the world can or should do anything about the apartheid regime in effect appears to offer Mr Botha strong tacit support.

Sanctions, we are repeatedly told by the government, do not work. Instead, we should use diplomatic persuasion to urge peaceful reform in a prosperous South Africa. It is a benign and rosy image, straight out of the simple-minded lectures of the nursery; but events have rendered it absurd, detached from all reality. In a Grimm fable of violence and death, the chintz moralisings of Enid Blyton have no place.

The fact that there is no peace, nor likely now to be any; the fact that no fundamental reform has taken place, and none is likely to be offered voluntarily by the Afrikaner regime; the fact that prosperity has gone, is not now likely to return in the absence of fundamental reform, and will certainly not return on a scale required to turn black priorities back from political change to economic advancement; these facts and these probabilities are of no account. Mrs Thatcher is right and the rest of the world is wrong, so that's OK.

The argument over whether sanctions "work" or not has always been more theological than real, because it begs so many questions, and usually consists in trading contrary categorical assertions, in circumstances where certainty is unattainable. What is fairly obvious, is that the effectiveness of external pressure must be contingent on a whole range of other factors, notably the forces at work inside South Africa, and cannot be meaningfully judged in a vacuum.

In some circumstances, external sanctions would obviously be wholly ineffective. If South Africa were peaceful and prosperous; if the government were firmly in control of law and order and clearly in command of a coherent and sustainable process of political evolution; if economic growth were rapidly improving the economic condition of the blacks, both in collective advancement and in individual prosperity; and if blacks were prepared to submit to the agenda laid down by the whites; then in those conditions, which would be ideal for the perpetuation of apartheid, there would be little the rest of the world could do about it.

Even here, however, there may be residual doubts: external pressure on sporting links with South Africa, at a time when the whites were under much less pressure than they are today, evidently touched them on a raw nerve, and helped bring about some localised easing of petty apartheid in sport.

But the issue at stake now is not some partial amelioration of petty apartheid, nor some marginal improvement in the economic lot of the blacks, but fundamental changes in the central tenets of apartheid, and this poses a problem of a different order of magnitude. The question which faces Britain and the rest of the western world is this: when powerful forces inside the country are clamouring for radical change, and when white repression looks uglier than it has ever done, can the marginal impact of external pressures help to tip the balance in the direction of the abandonment of apartheid?

It is important to be clear that this is the question. The sophists and the armchair pragmatists try to confuse the debate by dragging a number of red herrings across the trail. With selective advocacy, they invoke the names of some leading South Africans, both black and moderate white, who oppose sanctions, while ignoring others, equally representative, who demand them; they claim that sanctions would hurt blacks more than whites; and they predict that South African retaliation will damage the economies of neighbouring states. Such arguments are just pretexts for opting out. There is only one question on the agenda: would sanctions help to bring down apartheid?

Nobody can possibly know the answer for certain, nor even with any great confidence. But this pragmatic uncertainty, this inability to make firm scientific predictions, does not permit governments to heave a sigh of relief and slump back in their traditional posture of comfortable indifference.

For the onus of proof lies just as heavily on the opponents as on the proponents of sanctions. It is not enough to assert the belief that sanctions are unlikely to be effective; it is necessary, in addition, to claim that the South African Government will succeed in restoring the kind of law and order which used to be normal, that the violence which has raged for so long will subside, that the blacks will aquiesce once more in the white order of priorities, and that the whites can maintain their subjugation of the blacks indefinitely. This is the only kind of prediction which could justify closing out the sanctions option on pragmatic grounds.

It is rather more plausible to predict that the violence will continue, and may well get much worse; and that the blacks have reached a point where they will never again acquiesce in the assumptions of the white regime. The Pretoria Government may believe that it can batter protest into the ground, that mass arrests will decapitate the protest movement, and that the news blackout will calm the blacks and the rest of the world. But the initial evidence points the other way, and the mere fact of the emergency is a proclamation both of the injustice of apartheid and of its ineffectiveness. Until peace is restored, the case for sanctions will remain, unanswered, on the table.

In any case, cool calculation is no longer an adequate prism for analysing the sanctions dilemma. In the light of the daily killings in South Africa, any decision by the outside world is invested with heavy political and moral significance; there is no longer a refuge in neutrality. If Mrs Thatcher hoped that the Eminent Persons Group, set up by the Commonwealth last autumn, would provide an ingenious escape route, the calculation has backfired; their report has passed a damning indictment of the real intentions of the Pretoria government, and has massively underlined the politico-moral case for sanctions to exert pressure on it. Every time Mrs Thatcher's Government restates the pragmatic arguments against sanctions, it gives comfort to the white supremacists in South Africa. No doubt that is not what she intends, but that is what she achieves.

Even on the slightly queasy ground of material self-interest, it is not at all evident that an anti-sanctions policy is more likely to be to Britain's benefit. The advantages of Britain's economic links are entirely contingent on the assumption that President Botha can get back to the status quo ante; if he cannot, if the violence continues or gets worse, they may become marginal or even, in the medium term, negative. The longer a successor regime is delayed in South Africa, the less likely it is to accept liberal economic and political principles; even if it were liberal in principle, it would grant no favours to a country which was perceived to have helped frustrate its political liberation.

On grounds of national self-interest, Mrs Thatcher's government has said that it will not take any "measures" unless other countries follow suit, starting with the European Community, the US and Japan: Britain is not prepared to sacrifice its trade to the wily Japanese. Crude mercantilism aside, there are also reasonable grounds for such a position; moderate measures imposed by a large number of countries would have more impact than tougher measures by a few, which could be circumvented by non-co-operators. Yet in the same breath, mandatory sanctions in the UN, which might have prevented this kind of circumvention, have been vetoed in the Security Council, by the British and American governments.

As a Whitehall official conceded to me the other day, the government has neither a tactic nor a strategy for handling the problem. It appears to hope that it still has plenty of time to play with, and that any decision can be delayed until after the House rises for the summer. In theory it does have a relatively leisurely breathing-space: the recommendation of the Eminent Persons Group are not due to be formally considered by the Commonwealth until the beginning of August, nearly six weeks away. Yet in reality the pressure for decisions will become urgent three days from now, when the European Community holds its regular summit in the Hague.

It is Mrs Thatcher's misfortune that this meeting had, until recently, promised to be the dullest European summit for many years, with no burning item to enliven the agenda. That lacuna has now been filled by South Africa. Until now, Mrs Thatcher's strongest European ally has been the German Government, but it is already preparing to abandon her. Other member states will be keen for sanctions: the Danes have already imposed a trade embargo, on political grounds; for the Mediterranean countries, restrictions on imports of South African fruit and vegetables would neatly combine political altruism with economic self-interest.

Under the pretext of seeking careful consultation and international solidarity, the British Government seems desperate to evade a decision; as a result it is becoming increasingly conspicuous as the leading opponent of sanctions.

Lombard

The fundamentals of committees

By Samuel Brittan

Dr David Owen: Sadly, politicians have rigged Royal Commissions . . . I've been party to that myself, I'm afraid, so I plead guilty.

Mr Peter Hennessy: Which one did you rig—the Merrison one on the National Health Service?

Dr Owen: The National Health Service, that's the one, yes. That was rigged basically. I mean it was ensured that (it) was not going to come out with a powerful minority report (which) would oppose the basic principles of the National Health Service . . . I would claim it was done for higher motives. But it was rigged.

The Great and the Good
Peter Hennessy,
Policy Studies Institute,
March, 1986

It is as well that I have only just seen this fascinating study by Peter Hennessy after the Peacock Committee on the Finance of the BBC has finished its deliberations, but before publication of the Report.

For one of the minor irritations of the early days of our work was the general assumption that we had been hand-picked to recommend the adoption of advertising by the BBC.

The point of the quotation is that such extreme rigging is exceptional; and indeed Peter Hennessy would like to revive such committees, which he half says have been moribund under the Thatcher Government, although he is honest enough to see that the statistics do not bear out the case.

In her first two full years of office, 1980 and 1981, the number of such bodies appointed was down to a recent low of four per annum. But in 1982, 10 committees were established; and after a drop to five in 1983, another 13 were established in 1984.

As Hennessy says, the question about such committees is not political fashion, but whether there exists a middle ground between the highly technical research typical of contemporary social science (it is technical, whether or not scientific) and the mere representation of interest groups and political views.

On the basis of my one experience, I would say that such ground exists. The econometric studies commissioned or read by Peacock reached a degree of consensus which would surprise the sceptics. But it became very clear early on that these technical findings did not point to unambiguous policy conclusions. This required some old-fashioned logical analysis, plus an attempt to tease out underlying similarities in value judgments among committee members.

The cliche generalisation is that committee reports are welcomed, shelved and ignored. But no committee and certainly not one which tries to examine fundamentals, can expect instant acceptance. Part of its job is to lead public debate. The greater danger is that of the pre-emptive strike by the Whitehall vested interests. The three standard undermining techniques are to say that a report is "controversial," will require legislation, and that the committee has gone beyond its terms of reference.

Most political change requires legislation — e.g. the annual Budget and Finance Bill. If there were no controversy why appoint a committee? As for terms of reference, there are always disputes about interpretation. But I wonder if officials who indulge in this last resort tactic actually re-read the terms themselves—as distinct from their image of what they would like the terms to have been.

There is another point to make. Whitehall is very keen that committees should take "evidence." But what it means by evidence is nothing that a jurist or a scientist would recognise. It is rather a euphemism for bulky and predictable representations from interested parties. This is not a ritual to be dispensed with lightly.

But I would offer a prize—say a free copy of *Yes, Prime Minister*—for anyone who can suggest a way by which these rituals could be streamlined so that committees can concentrate on evidence, analysis and discussion in the true sense of these terms.

But, when all is said and done remember that a good committee represents a country's commitment to "analysis and reason in the conduct of public affairs." (Hennessy's words, not mine).

Letters to the Editor

A dream they never sold

From the managing director, KGB Micros

Sir, — My company is one of a number involved in marketing the worldwide leader in micro-computer CAD in the UK. AutoCAD is a US product that started around the same time as the four companies described in Peter Marsh's article (June 9) highlighting the lack of success of UK CAD software houses in marketing excellent products. AutoCAD has succeeded and the others failed due to external factors, as well as the ones he mentioned.

The first, and major, reason is that the small British market does not enable sufficient revenue to be generated for product enhancement and international marketing. The size of the UK market is substantially due to the unwillingness of large firms to experiment in any way. Of the 3,500-plus users of AutoCAD in the UK, the majority are partnerships or small/medium sized companies. The only large organisation with more than 30 AutoCAD systems is British Telecom. This is due, in the main, to the lack of interest in such systems at the top of such companies.

The second reason for the lack of marketing success of the UK software houses is the dearth of venture capital. Our experience of trying to raise external finance is one of total lack of interest. The venture capital companies do not reply to letters, acknowledge business plans sent to them, or explain why they reject the plans.

Your article is a sad indictment of the results of UK attitudes to high-tech industry but in our experience it is not in the least surprising.

D. Saunderson.
*106 St Leonards Rd,
Windsor, Berks.*

School discipline in inner-city areas

From Mr A. Anderson

Sir, — Mr N. J. R. Mullan (June 10) in criticising the Baldwin Davies article on school reforms, remarked that a lack of homework and discipline were due to a failing on the part of teachers.

In Scottish schools, the abolition of corporal punishment has made the disciplined class very difficult to achieve, especially in the more deprived, inner-city areas. When this is accompanied by a total lack of parental support for the teaching staff, and sometimes even by parents backing the disobedient child, the teacher's task is almost impossible.

Therefore, when homework is set and not returned, the teacher has no effective means of punishment. Homework is incorporated, if possible, into the day's lesson, thereby reducing the general standard of education, at no fault of the teacher.

Mr Mullan would do well to spend a day in an inner-city school and see the Herculean task that teachers face on a salary which has decreased substantially in real terms over the past decade.

Alan Anderson.
31, Broughton Place, Edinburgh.

We provide: they merely allocate

From Mr B. H. Fish.

Sir,—I have been minded on numerous occasions to chide you and today's headline (June 11) is the final straw; on your front page you say "Government provides an extra £20m for GCSE examination."

Sir, governments have no money and provide nothing for anyone: all they do is allocate, according to their several political whims and inclinations, that which they have removed from you and me and the rest of the long-suffering, tax-paying public.

I have read in your columns for example that "the Government will give . . ." or that "it will cost the Ministry of Defence. . . ." Nonsenses like this are rife in the media and must largely account for present-day attitudes to the functions of governments and for expectations that governments are providers wherever there is need.

Instead of fostering this total misconception, the Financial Times, of all the media, should eschew such inaccuracies and promote acceptance of the principle of public money.

Brian Fish,
*14, Stoke Hill,
Stoke Bishop, Bristol.*

Fashionable targets

From the managing director, Attitude Research.

Sir, — David Churchill's article on the demise of Sir Terence Conran's fashion chain Now (June 12) does not adequately explain its failure to become established. Furthermore the lack of success of the chain, far from calling into question "The whole retail concept of narrow market segmentation pioneered by the Next fashion chain", as he suggests, in fact demonstrates the need first to define very carefully and coherently one's target segment and then reliably to assess its viability.

A target age range of 10 to 16 might seem narrow; in practice it lacks coherence. At 10 a child is near the top of junior school and acts as role model for younger children. A year or two later the same child will try to model himself or herself on the older children in secondary school. They might well be aged 17 or 18 — ie already outside Now's target.

By 15 or 16 some children are earning quite substantial amounts of money and want to demonstrate their affluence through being seen in clothes that are different and are unavailable to younger children. Others are not earning and may have very little money to spend on clothes — for them Now was too expensive.

The main reason that the teenage sector is "usually for those retailers with a death wish" is that although it may initially appear to be one quite large market it is actually a number of discrete small markets.

There remains, in my view, very considerable scope for narrow market segmentation of retail markets. The demise of Now should act as a cautionary tale to many retailers. It shows clearly the need to research one's intended target market very carefully prior to launch to ensure that it is indeed as coherent and as viable as it may appear.

Robert Fairweather,
*7 Broad Oaks Road, Solihull,
West Midlands.*

Union recognition in securities sector

From the assistant general secretary, Barclays Group Staff Union

Sir,—In your report of the Union of Democratic Mineworkers Conference on June 18 you quote the Coal Minister, Mr David Hunt, as saying that the Government would legislate to ensure British Coal's recognition of the UDM if that union's fight for fair representation fails.

You went on to record Mr Hunt's outrage at the affront to natural justice which the restrictions on UDM recognition represented and his wholehearted support for the principles of democratic trade unionism.

The principle of government enforcing recognition of a democratically based trade union is interesting.

My union has represented the staff of the Barclays Bank Group for 65 years. Throughout that period we have endeavoured to maintain constructive relations with the employer and provide a democratic forum for the expression of members' views.

In October this year Barclays is to launch its securities market offshoot BZW. Some 200 of our members, previously employed by Barclays Merchant Bank, have been transferred to the new company with new employment contracts.

Yet Barclays has steadfastly refused to extend trade union recognition to BZW staff even for the most elementary of representational rights. The bank justifies this on the grounds that is not traditional for unions to be recognised in the securities sector of the finance industry.

No doubt a similar argument would have been used by early mill owners to deny textile workers the right to democratic representation in the 19th century.

The truth is that Barclays' hostility to trade union recognition in BZW is based on fear and a deep suspicion of the democratic process. It fails to understand that trade unions will always seek to follow their members into new areas of commerce and industry as they have done over two centuries.

It is a great pity that Barclays, whose record until now on trade union recognition is by no means bad, should find itself defending a Canute-like stance.

But perhaps we can take comfort from Mr Hunt's enthusiasm for legislation and look forward to the securities sector of the finance industry — including Barclays' BZW offshoot—being required by law to recognise trade unions if that is the wish of their employees.

Iain MacLean,
*Oathall Rd,
Haywards Heath, West Sussex.*

Soviet willingness, US belligerence

From Mr V. Kalugin

Sir,—The manner of Washington's announcement of the "death" of the Salt-2 treaty confirms the worst conclusions regarding the content and conduct of US foreign policy.

First, it was announced that the US was going to defy the treaty's provisions. Then there were coy hints at allowing it to remain in force. Finally, a press officer was set up to declare one of the major achievements in arms control to date as a "dead letter."

This cavalier treatment of such a serious subject surely shows that the question of who wants a second Soviet-US summit should really now be directed at Washington. As it actively undermines every substantial agreement in the arms control field, engages in belligerence hither and thither and ignores all Soviet proposals, the US does not appear to be actively preparing for a constructive meeting. The latest detailed disarmament plans outlined by Mikhail Gorbachev articulate a very different attitude — a willingness to compromise and work for a successful summit.

Vladimir Kalugin.
Novosti Press Agency,
3, Rosary Gardens, SW7.

FINANCIAL TIMES

Monday June 23 1986

Terry Byland on Wall Street

Witching hour casts a spell

THE "triple witching hour," when stock index futures, index options and individual stock options expire simultaneously, having kept the acolytes hanging in suspense until the last moment, duly turned in a drama of surging stock prices and activity. The final 30 minutes of Friday's session restored the damage wrought earlier in the week. Bringing the Dow Jones industrial average within eight points of the previous peak reached on June 11.

But now that the excitement has died down, it is questionable whether anything has changed. Friday's witching hour, or half hour as it must now be redesignated, concerned the Dow average and major market index stocks almost exclusively. Even the Standard & Poor's 500 issues were left on the sidelines.

The rush into stocks, rather than into the stock futures, suggests that buyers were mere bargain-hunters and not necessarily a new generation of stock market bulls. On past form, Friday's gains may not be there for long.

Indeed, the case for maintaining a defensive stance was probably stronger by the end of last week. The sharp downward revision of Commerce Department estimates of gross national product for the first quarter and an expected dip in housing starts both fed the image of a weak economy – and were not outweighed by news of a rise in personal spending.

More to the point for the stock market was the re-estimation of federal statistics on corporate profits, showing a nasty fall of 6.6 per cent in the first quarter, against the 4.9 per cent previously reported, which was bad enough.

Wall Street has been waiting long enough for some sign of the promised upswing in corporate profits as lower oil prices and interest rates feed through to the bottom line. The second-quarter reporting season gets under way within weeks now. Yet, hard on the heels of the downgrading of first-quarter profit figures came IBM's forecast that its sales and earnings would remain lacklustre in the second quarter.

IBM stock performed surprisingly well after this body blow. Of course, IBM must be the perfect example of a witching hour stock. It features in all major market indices, and it is strongly held by the institutions and thus eminently suitable for the programmed trading switched on when stock index futures tumble.

Assuming that Mr John Akers, IBM's chief, was last week tipping Wall Street the wink on the second-quarter results, it will be instructive to watch Big Blue's stock price during the weeks before the profits statement arrives.

Against this background, it is not surprising that the financial sector stocks, still seen as the best defence against a sluggish economy which may need another discount-rate cut to get it moving, are returning to the top of the brokers's lists, after being generally downgraded earlier in the year.

Paine Webber's equity valuation model ranks the money centre bank stocks as among the 10 per cent most undervalued in its portfolio. In the first place, Wall Street is relatively sanguine on the question of payments on the Mexican debts. "We believe the money centre banks will come to an agreement with Mexico," as Shearson Lehman puts it. Also steadying the ranks last week was Mr Paul Volcker, Fed Chairman, who assured the Senate that the departure of the Mexican Finance Minister was no threat to the negotiations.

Bank stocks have outperformed against industrials so far this year, with an average gain of 22.6 per cent against 17.1 per cent on the S&P 500. The gap has narrowed somewhat as the market has sensed that the bulk of the interest-rate fall is probably behind it. But there seems little sign yet of rates rising. Indeed, the sluggishness in the economy could well bring another cut in the discount rate. If rates hold steady, bank earnings should continue to do well. If rates fall further, then the banks are in for another very successful quarter.

From this viewpoint, the setback in many of the money centre banks on worries about the Mexican debts could prove a buying window. Bankers Trust, Citicorp and J. P. Morgan are rated "attractive" by Wall Street. All three have shown high management skills in their various specialities as well as across the full range.

Regional bank stocks also continue to attract investors although buyers are very selective. Overall, regional banks stocks have gained 26 per cent this year, and some sectors are still steaming ahead. The West Coast banks lead the way and are themselves led by Wells Fargo, which has won honours with its acquisition of Crocker Bank. But the Texas banks remain a sorry sight, lagging more than 30 per cent behind the S&P 500 this year

UK urges new initiative in S. African deadlock

BY PETER RIDDELL IN LONDON

THE BRITISH Government will this week urge a fresh initiative to break the internal deadlock in South Africa in an effort to limit the international and domestic pressures for early and strong sanctions.

Among the possibilities is that Sir Geoffrey Howe, the Foreign Secretary, or a senior official may be sent to South Africa to discuss how negotiations can be restarted between the Pretoria Government and the black community, thus taking up the work of the Commonwealth Eminent Persons Group.

No decision has been taken on this idea, but Mrs Margaret Thatcher, the Prime Minister, will probably put it forward at the meeting of the EEC heads of government in The Hague later this week. Since Britain assumes the presidency of the EEC in just over a week's time, Sir Geoffrey could go on behalf of the EEC as a whole.

Mrs Thatcher now accepts the Foreign Office view that something further will have to be done in terms of measures against the South African Government, but there is still disagreement within the Government about how much to do.

In the absence of agreement last week, a series of ministerial meetings starts today, culminating in a meeting of the full Cabinet on Wednesday which will consider the detailed options.

Mrs Thatcher, who reiterated her opposition to comprehensive mandatory trade sanctions in a party speech on Saturday, is against measures which will be seen as empty gestures or which will not be observed by other countries and give them a trading advantage over Britain. The favoured option is a restriction on new commercial investment.

In particular, Mrs Thatcher has expressed scepticism about proposals for restricting air links with South Africa, as is favoured by a number of other countries and by the opposition leaders in Britain. There are legal difficulties about such an interference with international air agreements.

She is also believed to be sceptical about official ideas for banning imports of South African fresh fruit and vegetables.

The Cabinet has so far backed Sir Geoffrey's judgment that further measures should be taken, provided they are internationally backed. Ministers are aware of the conflicting Conservative Party pressures with a large minority strongly against further sanctions and a smaller group of Tory MPs critical of the Government for not going far enough.

Mr Denis Healey, Labour's shadow Foreign Secretary, who is due to fly out to South Africa this evening, argued that the failure to impose sanctions had delayed the possibility of negotiations between the South African Government and the black majority. He said that further measures were essential to maintain pressure from business and other groups on the Pretoria Government to respond.

Similarly, Dr David Owen, the Social Democrat leader, said on TV-am's Jonathan Dimbleby on Sunday programme that what was preferable was pressure that did not bite immediately but which steadily built up, such as a ban on new investment.

Saudis to seek $1.5bn loan for jet deal

By David Buchan in London

SAUDI ARABIA will have to borrow temporarily up to $1.5bn to pay for a major aircraft purchase from Britain because the fall in oil prices has hit its revenues, according to UK defence officials.

The Saudis are committed to buying from Britain 132 aircraft including 72 Tornado fighters worth £5bn ($7.5bn).

Overdraft facilities of up to £1bn may be needed to meet the initial cost of the programme under which six tornadoes have already been delivered, UK arms export officials said yesterday at a British Defence Equipment exhibition at Aldershot, Britain's leading military garrison 45 miles west of London.

When the initial Government-to-Government protocol was signed last year, the Opec oil price was around $29 a barrel, or more than double its current level.

The shortfall in oil earnings put the Saudis in a dilemma. They reaffirmed to Mr George Younger, the UK Secretary of State for Defence, in Riyadh last month that, with the continued instability in the Gulf, they still wanted the aircraft. Yet their current committed deliveries of 300,000 barrels a day for the project are not generating enough cash to meet the payments schedule originally envisaged. The Saudis do not want to increase their oil output lest they aggravate the Opec oil glut or to draw further on cash reserves. So they are being forced into the unusual position of arranging an overdraft to finance their UK arms purchases. It is envisaged that this will later be paid off in further oil supplies.

The £5bn sale covers the sale of 72 Tornado air defence and attack aircraft, 30 Hawk trainers and 30 PC-9 trainers, spares and training services which will ultimately be covered by 13 separate contracts between the UK and Saudi Arabia. The two most important contracts, providing for the sale of aircraft and spare parts, were signed in February.

UK defence export services officials said yesterday they hoped that the British Army Equipment Exhibition would help the UK improve further on its 1985 sales record of £2.9bn which itself was 17 per cent up on 1984. Representatives from 75 countries are expected at the Aldershot exhibition which opens officially today and runs until Friday.

General Sir Richard Vincent, the army's Chief Procurement Officer, told a press conference that the Ministry of Defence had chosen the Short Brothers Starstreak missile as the army's new high-velocity air defence weapon in preference to a British Aerospace system. The contract for the deal, which is believed to involve the missile being mounted on 135 Stormer Vehicles made by Alvis is expected this autumn.

Olivetti chief to run Valéo

By David Marsh in Paris

THE FRENCH Finance Ministry has given its approval for Mr Carlo De Benedetti, the Italian industrialist, to take management control of Valéo, the leading maker of vehicle components in France.

The compromise agreement announced at the weekend resolves what was seen as the first key test of industrial policy for the new centre-right Government.

Controversy erupted in April when the authorities acted to block a takeover bid for Valéo launched by CIR, Mr De Benedetti's holding company. The decision then was made on the grounds that the French group was involved in the country's defence industry.

Although Valéo makes gearboxes and other parts for tanks and military vehicles, the veto was seen as a blatantly protectionist move hardly in keeping with the liberal financial policies promulgated by the administration of Mr Jacques Chirac.

The weekend accord gives Mr De Benedetti operational responsibility for Valéo through CIR, which has already built up a 19 per cent stake in the French group. The Government has agreed to lift its veto in exchange for an undertaking by Mr De Benedetti to keep his holding slightly below the shares, initially 21 per cent, to be held by a group of four leading French institutions.

Mr De Benedetti – who is also chairman of Olivetti – bought his 19 per cent stake in February from a number of other institutions, paying about FFr 500m ($702m). He jolted the Government the following month by proposing a partial bid on the Paris bourse which would have boosted his holding to 35 per cent.

This is not now to proceed. Instead, Valéo's capital is scheduled to be increased as part of a planned restructuring of its finances.

The agreement brings in Compagnie Générale d'Industrie et de Participation (CGIP) as a major shareholder with 10 per cent of the capital.

Valéo's capital is scheduled to be raised as part of planned financial restructuring. CIR has undertaken until the end of 1990 to keep its shareholding below 30 per cent and its participation below the total of the four French institutions.

CGIP, a major French industrial holding company which also owns a large stake in the Cap Gemini Sogeti software group, will finance its 10 per cent stake by transferring to Valéo the car components activities of its subsidiary Allevard Industries. The metalworking and railway sectors of this company will remain separate.

Lloyds steps up its battle for Standard

BY NICK BUNKER IN LONDON

LLOYDS BANK stepped up its £1.2bn ($1.8bn) takeover battle for Standard Chartered Bank, the international banking group, last night with fresh hints about its plans for handling Standard Chartered's controversial exposure in South Africa.

Prompted by Saturday's second and final defence document from Standard Chartered, Mr Brian Pitman, Lloyds chief executive, said several South African interests had approached him about possible purchase of standard Chartered's 39 per cent stake in Stanbic, the second largest South African commercial bank.

The political risk of Standard Chartered's £800m exposure in South Africa, which includes £200m in cross-border loans, has emerged as a key issue in the fate of the 10-week-old bid to create the UK's largest banking group.

It is regarded by Standard Chartered as a factor which could defeat the takeover by alarming Lloyds' shareholders.

With Lloyds due to announce by the end of this week whether it will increase its 750p per share offer for Standard Chartered, or extend the current offer until July 12, Mr Pitman said Standard Chartered's new defence document was "scraping the bottom of the barrel."

It contains no full-year profit forecast for 1986, but reveals an 18.5 per cent rise in trading profits in the first four months of the year to £80m, up from £67.5m in 1985. A fall in earnings by Stanbic and other associates from £32.1m to £16.3m, largely due to the fall in the South African rand and the Nigerian naira, meant that group pre-tax profits fell from £99.6m to £96.3m.

Mr Pitman said Standard Chartered shareholders were being offered "a paucity of information." The document made no disclosure of provision against South African losses, and failed to justify Standard Chartered's projection of a 14.8 per cent dividend increase in 1986, he said.

Lloyds Bank said Standard Chartered would be showing zero profits growth if it were not for a reduced corporation tax charge, and a £35m pension fund surplus allowing a three-year holiday in contributions.

Standard Chartered's new defence says that to avoid overlaps of business Lloyds would have to consider selling six parts of Standard Chartered. Including Stanbic, Union BanCorp of California and the group's UK merchant banking and finance house operations, these would be worth £1.133bn, or 728p of Lloyds' offer.

That would leave only 22p per share to cover the remaining assets, which include Standard Chartered's core business in London, Africa and the Far East and are valued by the group at 211p per share. Lord Barber, Standard Chartered's chairman, said Lloyds' offer was "misconceived" and "wholly inadequate."

FTC to oppose US soft drink deals

BY STEWART FLEMING AND WILLIAM HALL

THE US Government has announced that it would go to court in an attempt to block two large takeovers in the US soft drinks industry.

The takeovers would have given Coca-Cola and PepsiCo, the two brand leaders, a combined share of 80 per cent of the market.

The Federal Trade Commission voted 4-0 to go to court to oppose Coca-Cola's $470m acquisition of Dr Pepper and PepsiCo's $380m acquisition of Seven-Up, two of their main rival soft drinks.

The commission voted to authorise its staff to seek a preliminary injunction next week in the Federal District Court to block the two proposed acquisitions. It said the acquisitions could reduce competition in distribution and sale of carbonated soft drinks in the US.

The commission's move makes clear that, despite the Reagan Administration's support for a more relaxed approach to acquisitions, it is not proposed to tolerate a complete free-for-all in the corporate takeover market.

The case of the two takeovers in the fiercely competitive US soft drinks market has caused an unusually high level of interest both in the soft-drink industry and the rest of corporate America since it is seen as a test case of the Administration's anti-trust policies.

Several smaller soft-drink companies have attacked the attempts by PepsiCo and Coca-Cola to dominate the industry by taking over two of their weaker rivals. Royal Crown Cola of Illinois has already started legal action to block the mergers and said that they are a threat to the "principles of our economic society."

Many independent bottlers are reported to have been worried by the proposed mergers since they would give the two companies tremendous marketing advantages working to the disadvantage of smaller companies.

PepsiCo has gone to considerable lengths to prove that there is very little criticism of its proposed takeover of Seven-Up within the soft drinks industry and maintains that "everyone emerges a winner – consumers, independent franchised bottlers and parent companies alike."

Coca-Cola has said several times that it believes its acquisition is "pre-competitive," and that "the existence of Dr Pepper within a very strong member of the industry will ensure its long-term health."

If the takeovers are approved, which now seems most unlikely, Coca-Cola's share of the soft-drink market would be raised from 39 per cent to an estimated 46 per cent, and PepsiCo's share would rise from 28 per cent to 34 per cent.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Dubrovnik	S	27	81	Malta	S	27	81	Rhodes	S	25	77
Algiers	S	27	81	Edinburgh	C	11	52	Manchester	C	13	55	Rio de J'o	S	32	90
Amsterdam	S	23	73	Faro	S	21	70	Manila	C	34	93	Rome	S	25	77
Athens	S	27	81	Florence	S	24	75	Melbourne	R	11	52	Salzburg	F	26	79
Bahrain	S	34	93	Frankfurt	S	25	77	Mexico City	C	25	78	San Francisco	S	27	81
Bangkok	S	34	93	Funchal	F	22	72	Miami	R	29	85	Seoul	C	27	81
Barcelona	S	24	75	Geneva	S	26	79	Milan	S	29	84	Singapore	S	32	90
Beirut	S	27	81	Gibraltar	S	24	75	Montreal	C	23	73	Stockholm	C	15	59
Belfast	R	11	52	Glasgow	F	14	57	Moscow	C	17	63	Strasbourg	S	27	81
Belgrade	F	27	81	Guernsey	C	14	57	Munich	F	27	81	Sydney	S	15	59
Berlin	S	21	70	Helsinki	C	12	54	Nairobi	R	16	61	Taipei	C	34	93
Biarritz	S	22	72	H. Kong	F	31	88	Naples	S	29	84	Tangier	F	21	70
Bombay	D	28	82	Innsbruck	F	27	81	Nassau	—	—	—	Tel Aviv	S	30	86
Bordeaux	S	23	73	Inverness	S	13	55	New Delhi	F	37	99	Tenerife	F	22	72
Brussels	S	25	77	Islamabad	C	41	105	New York	C	26	79	Tokyo	F	24	75
Budapest	S	24	75	Istanbul	S	24	75	Nice	S	24	75	Toronto	R	24	75
B. Aires	R	22	71	Jakarta	S	32	90	Nicosia	S	34	93	Tunis	S	28	82
Cairo	S	33	91	Jersey	F	18	64	Oporto	C	19	66	Valencia	S	31	88
Cape Town	C	16	61	Jo'burg	S	16	61	Oslo	S	19	66	Venice	S	27	81
Caracas	C	28	82	Lima	C	18	65	Paris	F	22	72	Vienna	S	22	72
Casablanca	S	21	70	Lisbon	F	19	66	Peking	C	22	72	Warsaw	C	17	63
Chicago	C	34	92	London	C	16	61	Prague	F	20	68	Washington	S	20	68
Cologne	S	24	75	Los Angeles	C	29	84	Reykjavik	C	10	50	Zurich	S	28	82
Copenhagen	S	22	72	Luxembourg	F	26	79								
Corfu	S	28	82	Madrid	S	22	72								
Dallas	S	24	75	Majorca	S	25	77								
Dublin	F	16	61	Malaga	S	28	82								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Blue chips set pace

Continued from Page 1

ample of the awesome power of the infamous "triple witching hour," when a constellation of powerful forces coincide as stock index futures, stock index options, and options on the underlying stock themselves all expire simultaneously on exchanges in New York and Chicago. It occurs just four times a year on the third Friday of the last month of each quarter.

This presents a unique opportunity for sophisticated professional investors who have up to an estimated $15bn at their disposal, to profit from discrepancies between underlying share prices and the options and futures contracts.

Traders attempt to close out their positions, maximising their profit, in the final minutes of the session.

Friday was a case in point. Down on Wall Street traders and investors, watching their Telerate and other video screens, described Friday's action up until the last few moments as "pretty boring." On the floor of the New York Stock Exchange, the pace of activity was unspectacular.

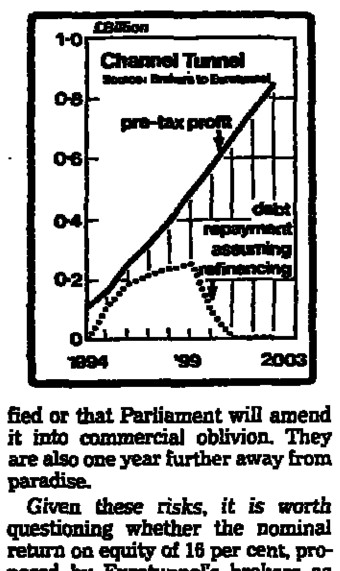
At 3pm – the nominal start of the triple witching hour – a relatively modest 87.8m shares had changed hands. Over the next hour, 40 per cent of the day's total 149.7m trading volume switched hands threating to overload the capacity of traders to keep up with the rapidly changing prices flickering across their desk top video screens.

THE LEX COLUMN

Model railways in the City

Over the next few weeks, the City of London will be asked to dig quite deep in its collective pocket for the sort of large-scale utility financing that it forgot how do a century ago. The Channel Tunnel may not be a very large project as budgeted at £2.2bn – in real terms, it may not compare with the City's 19th-century empire building – but there is nobody about who remembers the English and American railroads or, indeed, any equivalent infrastructure scheme financed without public guarantees.

For any but the fund-managing train-spotter, the £200m of equity on offer is a very odd piece of financial rolling-stock. Inasmuch as the tunnel operators will bury their costs and then, beginning with a balmy summer in 1993, rack up their prices with inflation, the equity has elements of an index-linked contract. In fact, there is quite a difference.



Risk

Unlike index-linked, tunnel equity exposes the holder to inflationary risks between now and the moment, perhaps a little later than 1993, when tunnel tolls linked to inflation will send him into happiness. The prospective price/earnings rations on the equity, put forward rather sheepishly by Eurotunnel's brokers, tell part of the story: a p/e of infinity falls to 52 in January 1994 and a mere 15 with the millenium.

The attractions to professional equity investors lie with the size of the issue and the potential dividend stream: after peak expenditure, including capitalised interest, of about £1bn in 1990, the consortium hopes to refinance the £4bn of mainstream bank debt. That done, the project could be generating the sort of distributable surplus that would make any fund-manager with fin-de-siecle liabilities sit up. The public, who can take part in the major equity offering of, say, £770m next year, is invited to plan its retirement somewhere other than Kent or the Pas de Calais on the proceeds of what might almost be a zero bond: the putative dividend yield in 2003 is 60 per cent.

Both sets of investors must discount quite awesome financial, geological and traffic risks; but subscribers to next month's placing must reckon with the danger that the Tunnel treaty might not be ratified or that Parliament will amend it into commercial oblivion. They are also one year further away from paradise.

Given these risks, it is worth questioning whether the nominal return on equity of 16 per cent, proposed by Eurotunnel's brokers as their central assumption, is any comfort to the timid. Real interest rates of 3 per cent during the tunneling is not what the gilt-edged market, which is supposed to think about such things, is expecting, except in the risk free indexed sector. If anything like current real rates of interest were to persist through to opening, the return to the lending banks would be so disproportionate as to render their own shares much the better investment.

As Eurotunnel's advisers make clear in last week's document, the return can fall quite sharply. They have tried adding in a year's delay, low inflation during the operating period, no duty-free or price brutality from those ferries still plying the Dover Straits overhead: the result is a return in the low teens. Of course, bond market yields would fall if expected long-term inflation came down; the equity return would then be less optically unappealing. On the other hand, ballooning inflation-proof revenues – which saved some early North Sea projects – might only arrive after inflation had wrecked the construction phase.

The project has been pretty thoroughly studied over the last century or two. But the British (rather than the French) construction industry does not have a very good record of keeping to budget; and experience at the Thames Barrier teaches that when costs run over, they do so in large measure. The lump sum elements in the contract and the procurement items are straigtforward enough; but a target contract for the tunnels that absolves the contractors of any cost overrun over 20 per cent is pretty rum. Even with their small equity shareholding, the discipline is not exactly compelling. It is not as if seven years were a particularly long time to complete the building or as if there might not be broker chalk or, horrible to relate, sand under the French coast. If the tunnel misses the 1993 season, then the game looks decidedly dodgy.

The traffic risks are much slighter: the market exists and must be presumed to grow. Recent growth rates for passenger crossings have been inflated by the advent of the day-tripper; but there seems no reason to quarrel with hopes of double the traffic at the turn of the century with a large part diverted to the tunnel.

The competitive problem arises much more with the ferries than with the airlines, whose fixed costs on short-haul routes leave little scope for Branson-style discounting. If the ferry operators re-equip with larger and more efficient boats, as Euroferries is doing, they can probably cut costs by 40 per cent – more, if they decide that the game is so deadly as to make depreciation a luxury. Simple fare-cutting by the ferries still leaves the revenue assumptions looking healthy. But if there is a delay in completing the construction contract, the increased debt service burden will hamstring the tunnel's financial flexibility just at the point when the surviving ferry operators have cut their fares in half.

Reward

This may be gloomy. Only Euroferries is profitable enough to go hell for leather in the Dover Straits. Hovercraft are history. But it highlights once again the dangers of delay in a project where time equals cost.

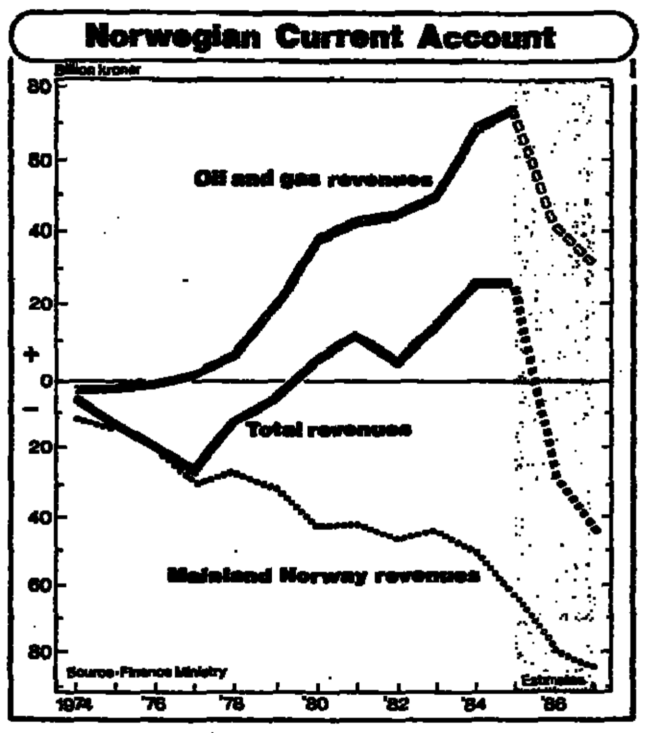
If there is no delay, the potential rewards could make the brokers' assumptions seem ludicrously pessimistic. It may be that the tunnel, like some latter-day M25 or Bosphorus Bridge, will create exponential growth in traffic to and from the European mainland. In that case Eurotunnel could gold-plate its rolling-stock and still provide the returns of the century. Actually, the best one.

SECTION III

FINANCIAL TIMES SURVEY

Norway

The country is having to face the consequences of over-indulgence as plunging oil income exposes imbalances in the overheated economy and poses problems for the new government.



Windfall wilts away

By Kevin Done, Nordic Correspondent

FOR NORWAY the party is over—at least until oil prices begin to rise again. For several years the country has been learning to come to terms with the mighty windfall of increased wealth offered by the discovery of abundant resources of oil and gas on its continental shelf.

It has quickly become dependent on the flow of North Sea oil and gas for its prosperity.

The steep fall in the oil price, exacerbated by the simultaneous weakening of the US dollar, is suddenly threatening to undermine that new-found wealth, however, plunging Norway into what Mrs Gro Harlem Brundtland, the new Labour Prime Minister, describes as "the most serious economic crisis for many years."

In the space of a few dramatic weeks in the late spring, the Conservative-led coalition government of Mr Kare Willoch has been forced to resign to be replaced by a minority Labour Government, whose future prospects for holding on to power are still far from certain.

A wave of international speculation against the Norwegian krone has forced a 12 per cent devaluation of the currency, and the Government has been forced to impose one of the toughest budget austerity packages the country has seen for many years.

The economy was already threatening to run out of control before the oil price slide began, a development the conservative-led coalition government seemed virtually powerless to stop.

Tough measures would in any case have been needed sooner or later to counter the extravagances of two years of lax economic management, but the oil price collapse suddenly meant that the need for remedial action became urgent.

The political situation in Norway was the worst imaginable, however, to meet the challenge of dealing with such a sudden and unexpected worsening of the country's economic prospects.

The general election in September last year left Norway poised on a knife edge with neither side winning a secure majority.

Mr Kare Willoch, leader of the Conservatives and Prime Minister since October 1981 was just able to hang on to power. The three coalition partners, the Conservatives, the Centre Party and the Christian People's Party, which had ruled Norway together since June 1983, managed to squeeze to a one-seat victory over the Socialist bloc, comprising Labour and the Socialist Left Party.

The whip hand in the new Storting (Norwegian Parliament) was given to the maverick right-wing Progress Party, however, which had its representation halved to only two seats, but which still held the balance of power.

Early signs of the troubles that lay ahead emerged during the autumn as the coalition struggled to find a majority for its 1986 budget.

After several weeks of tense negotiations the Government managed to reach agreement with the anti-tax Progress Party shortly before Christmas, but only after Mr Willoch had made clear that the Budget issue would amount to a vote of confidence.

The Budget vote showed just how volatile the mood in the Storting had become since the election, but the three coalition parties were still unable—or unwilling—to admit that their continued existence in office depended on the two unpredictable votes of the Progress Party, whose policies are anathema—at least to the centre and Christian people's parties.

The Willoch Government's grip on the Norwegian economy had been slipping for many months, long before it became clear that the Opec countries could no longer hold up the oil price artificially.

Frightened by rising unemployment during the winter of 1983-84 the number out of work rose above 3 per cent of the workforce, an enviably low level by general European standards but the highest level in Norway in the post-war period—the Government began to relax its fiscal grip. There was little apparent call for caution with the oil price and the US dollar strong, the current account moving into substantial surplus and inflation beginning to moderate.

Alongside the easing of fiscal policy, the Government also embarked on a process of liberalising the Norwegian financial markets, which by late 1984 was leading to a strong increase in the supply of credit.

With domestic demand stimulated and exports growing strongly pulled along by the recovery in the international economy, Finance Ministry officials and the Central Bank began to argue for more cautious policies, but their arguments fell on deaf ears.

The year 1985 was election year, and the coalition—facing a resurgent Labour Party under Mrs Brundtland—decided to throw caution to the wind by drawing up an expansive vote-catching Budget which added further fuel to the boom that was already in progress.

Backed by the oil revenues, with all the State's foreign debt paid off, with the foreign exchange reserves mushrooming to the highest level of any country in the industrial world and Oslo awash with talk of the city becoming a new financial centre as Norway entered the ranks of the capital exporters, the Government seemed to have the room to take some risks in order to secure victory at the September general election.

The Government created the boom it had sought, but as the economy exploded in the second half of the year—private consumption was growing at an annual rate of 10-12 per cent and the growth in GNP (Gross National Product) reached an annual rate of 8 per cent in the second half of 1985—it was unable to regain control.

Its problems were only multiplied by the election result. In spite of the boom the Labour Party was able to make progress with the electorate with a platform that called for even higher spending than that already achieved by the non-Socialist coalition, and in particular its attack on deficiences in the health and social services struck a chord with the voters.

Mrs Brundtland took Labour to the brink of victory, but the non-Socialists just fell short of a majority in the Storting. The coalition was "condemned to rule," as one Oslo newspaper headline explained the election result, but also without its own majority. A non-Socialist majority depended on the whims of the two Progress Party MPs.

On the basis of the election result, Mr Willoch — ironically generally accepted as one of Norway's leading economists—felt unable to take the necessary remedial actions to rein in the economy. The coalition suddenly appeared to be a fragile craft to survive the threatening storms. While the Conservatives were committed to cutting rather than increasing taxes, the junior coalition partners were likely to resist any strong attacks on public spending, especially on the state's extensive network of transfer payments, which accounts for some 75 per cent of government spending.

Mr Willoch tried to change course in a modest way in January with a tightening of the credit market, and with the so-called Easter package he sought also to make the first tentative steps in the direction of austerity.

During the spring his government's authority was undermined from a new direction, however, as Norway was swept with little warning into one of of its most serious periods of industrial conflict in 50 years. The gathering economic clouds could hardly be seen from the labour market, where they were obscured by the hue and cry of battle.

A strike by 600 catering workers on the North Sea production platforms, which brought a halt to output and cost the oil companies revenues of NKr 3bn to NKr 4bn when they locked out another 3,000 workers, was only stopped when the Government submitted the dispute to compulsory arbitration.

On the mainland the employers' federation (NAF) locked out 102,000 workers after having failed to make progress in negotiations with the LO, the blue-collar workers trades union confederation. The lockout soon lost the employers any national sympathy and was called off after a week. The use of such a controversial weapon clearly back-fired and the resulting settlement which yielded an increase in hourly wage rates of about 8 per cent plus an agreement to cut the working week from 40 to 37½ hours at the beginning of 1987 cost the country dear guaranteeing Norway much higher labour cost increases than in competing countries.

Just as importantly the lockout helped to lay the ground for the final downfall of the Conservative-led coalition.

Opinion in Norway had already begun to turn against many of the manifestations of the boom economy, not least the spectacular antics of a small group of financiers riding the wave on the Oslo Stock Exchange, and part of Labour's success at the polls last September was undoubtedly caused by reactions against this rather "un-Norwegian behaviour," and by a sense that inequalities in standards of living were growing.

(The Scandinavian politician ignores the issue of wealth distribution at his peril).

The employers' resort to the lockout weapon—not used on such a scale since 1931—also reflected badly on the battered Willoch coalition.

Sensing that the Government was deep in trouble, the Labour Party began to agonise about whether the moment to bid for power and come.

"There had been a dispute in the party about the right time to move in," admits one senior Labour Party official.

Politics

The balance is precarious

LITTLE IS certain about the current Norwegian political scene except its uncertainty. The Labour Party has jumped its first hurdle with its revised budget package of austerity measures, but the bets are still open on whether it can survive the autumn and produce a budget for 1987, which at least one of the non-socialist parties can support.

Parties on both sides of the political divide are aware that "you cannot keep on changing governments like you change shirts," as one party leader expresses it. The fact remains, however, that Labour is now ruling as a minority government in a parliament that has a wafer-thin non-socialist majority.

In theory at least, Labour could be toppled at any moment, as soon as the non-socialist parties manage to exploit their majority position. But in practice huge obstacles still loom, with the tiny Right-wing Progress Party holding the whip hand and again playing the joker in Norwegian politics.

No solution to the precarious political balance in the Storting, the Norwegian parliament, can be sought at the ballot box, as there is no provision in the Norwegian constitution for holding elections outside the normal four-year cycle.

After the last election the conservative-led coalition of Mr Kare Willoch continued to act as if it had its own majority, when in fact it had become uncomfortably dependent on the two votes of the unpredictable Progress Party.

The three non-socialist parties the Conservatives (50), the Christian Peoples Party (16), and the Centre Party (12) gained 78 seats against the 77 of the Labour Party (71) and its closest ally, the Socialist Left Party (6), but that still left the Progress Party, led by Mr Carl I. Hagen, holding the balancing two seats.

If the previous coalition parties are to be able to wrest power back from Labour, they will have to reach some form of compromise with the Progress Party, but as yet there is little sign of this emerging.

The Progress Party's policies appear to be political anathema to the two junior partners of the previous coalition. As far as possible they have sought to ostracise the two maverick Right-wingers, out of fear of alienating their own voters.

At the same time both insist that on some key issues, such as public spending and the role of the public sector, as well as regional policy and support to the fishing and agricultural sectors, they actually stand far closer to Labour than to the Progress Party.

The Progress Party has been made the scapegoat by the three coalition parties for the downfall of the Conservative-led government, especially as Mr Hagen had issued the assurance in the last election campaign that he would never be instrumental in bringing a socialist government to power.

He has indicated that he would like to bring down Labour at the earliest opportunity, but the other non-socialist parties are unlikely to rush to join him. Progress wants a place in any future non-socialist government, a demand that is certain to be cold-shouldered by the Centre and Christian People's parties.

The conservatives, on the other hand, have no ideological block to co-operating with Progress, but having been burned once, they are requesting guarantees of future support virtually amounting to a blank cheque from Mr Hagen, which again hardly lays promising ground for an attempt to topple Labour.

As Labour has shown with its deal with the Centre and Christian People's parties over the revised 1986 budget, the potential exists for picking off the opposition parties on an issue-by-issue basis, and certainly the longer Mrs Gro Harlem Brundtland stays in power, the more difficult she will be to budge.

The question remains, however, exactly why did Mr Willoch, who had ruled Norway for four-and-a-half years, choose to give up power in the way he did. He decided to raise a vote of confidence over a question, namely an increase in petrol tax, where from the outset he knew he could not count on the votes of the Progress Party.

He devoted all his efforts to finding a compromise with Labour on the issue, but never really offered any concession to Mr Hagen.

The events of late April and early May were complex, and already versions vary importantly. Was the Willoch Government pushed, or did it jump?

According to one senior Conservative Party official the whole budget bargaining process showed that "it was impossible for a minority government to govern. It is impossible if every step along the way must be negotiated."

Many within the previous Government accept that the days of the coalition were probably numbered in any case, because the disagreements over budgetary cutbacks could only grow as the consequences of Norway's economic slide became clearer. By leaving office when he did, Mr Willoch could go at the head of a united coalition, making it easier to return to power at a later date. At the same time an ideal scapegoat in the shape of the Progress Party was readily at hand.

"It would have been very difficult for the three parties to have united over the 1987 budget," said the Conservative party official. "The Christian Peoples' and Centre Parties are not in favour of budget cuts, they always want more."

While the co-operation between the three coalition parties functioned quite well in government, it was already clear that at parliamentary level some MPs, particularly from the Centre Party, were less than enamoured with the arrangement. They are likely now to welcome the chance of being freed of the constraints of government for a while.

Mr Willoch is clearly running a considerable risk, however, in loosening the bonds between the three parties. Under the Norwegian system there is no shadow cabinet, and the three parties will be able to seek their own profiles independently.

If the Labour Party is careful in avoiding strongly ideological issues, it could be that the siren song from the Left becomes steadily more appealing than a return to coalition, which is still dependent on the votes of the Progress Party.

If the strains of government were beginning to show on the coalition as the country's economy deteriorated rapidly, what can be said of Labour's bold decision to make its bid for power?

Without a Socialist parliamentary majority, Mrs Gro Harlem Brundtland has all along been sceptical about Labour forming a minority administration. Now she has decided to take an office at a time when there appears to be only unpalatable medicine to hand out. The badly overheated economy must be cooled down with a package of austerity measures, which inevitably will have to be followed up with more tough economic steps in the months ahead.

The Government also took power in the midst of a turbulent wage round, with strikes breaking out in the public sector, which have forced it finally to take the unpopular measure of imposing binding arbitration on the two sides. The move is particularly disliked by the trades unions, which see it as an infringement on their rights to free collective bargaining.

There clearly have been disagreements within Labour on the best moment to choose to take over power, and clearly there is no ideal moment. By the end of April, however, Mrs Brundtland appears to have been convinced by a swell of opinion, particularly within the parliamentary group.

The Employers Federation's massive lock-out in the private sector had more strongly focused the debate on the issue of social justice, thus allowing Labour to take the offensive again on the basis of established social democratic values.

By stepping in at a moment of crisis and demonstrating its ability to govern, labour could only win in the eyes of the voters, it was argued.

The wisdom of such reasoning remains to be proved. According to the first big opinion poll taken after the fall of the coalition, after the devaluation and in the midst of the public sector strikes, the Labour Party support had declined by 2.7 per cent having been on a sharply rising trend since the last election, while the Conservatives gained 2.2 percentage points.

Kevin Done

1985 Election Results

(1981 results in parentheses)

	% of poll		Seats		
Conservatives	30.2	(31.8)	50	(53)	−3
Christian People's	8.3	(9.3)	16	(15)	+1
Centre	6.7	(6.6)	12	(11)	+1
Progressives	3.7	(4.5)	2	(4)	+2
Total non-Socialist vote	48.9	(52.2)	80	(83)	−3
Labour	41.0	(37.1)	71	(66)	+5
Left Socialists	5.4	(5.0)	6	(4)	+2
Liberals	3.1	(3.9)	0	(2)	−2
Total Socialist vote	49.5	(46.0)	77	(72)	+5
Others	1.7	(1.6)	0	(0)	

Votes cast 3,098,153, turnout 82.7 per cent (81.9)

A shaky hold on power

Assumption of power came as a shock to Mrs Gro Harlem Brundtland, leader of the Labour Party

Mrs Gro Harlem Brundtland, leader of the Labour Party since 1981, still believed only six months ago that Labour would have to wait until the general election in September 1989 before it could regain power. With the non-socialist parties holding a wafer-thin majority in the Storting (Parliament) after the September 1985 election she said: "Labour has no interest in taking over government responsibility without being able to rule."

She did not exclude the possibility that one of the two centrist parties could choose to leave the coalition, but still thought it unlikely. "It could happen, but I do not think it is the most probable set of events. Most probably the three coalition parties will manage in some way to function on the basis of this narrow majority supported by the Progress Party."

Mrs Brundtland was wrong. In May, she returned to office as Prime Minister for the second time, helped into power by the coalition parties' inability to find a parliamentary majority for a first mild dose of austerity to dampen the overheating economy.

Her prospects for holding on to power could prove even more shaky, however, than in 1981. Last time around, Mrs Brundtland led the country for just eight months after taking over the leadership of the Labour Party from Mr Odvar Nordli. The Government was forced to resign in the wake of the September election that year. Her appointment as party leader enabled Labour to perform better than feared, but the party's fortunes were still at a low ebb, gaining 37.2 per cent of the votes.

A strong and colourful leader, Mrs Brundtland has contributed to the increased focusing on personalities in Norwegian politics. In both the 1981 and 1985 general elections this concentration on the party leaders surpassed all previous experiences in Norwegian politics, says Professor Henry Valen, professor of politics at Oslo University.

In Mrs Brundtland's case it is hardly surprising. She was the first woman to become prime minister in Norway and one of the first in the world to hold such high office. Today she leads a cabinet with the highest number of women members in the world: eight of the 18 new ministers (44 per cent) are women.

In the clash of personalities between Mrs Brundtland and Mr Kare Willoch, the cool intellectual Conservative leader, who led Norway for 4½ years until the coalition fell last month, it is Mrs Brundtland who provides the colour and the temperament.

It is not unusual for Norwegian cartoonists to portray the two as opponents in the boxing ring. While it is Mr Willoch who appears to have the lighter footwork and the skilful jabs, it is Mrs Brundtland, who looks more likely to pack a knock-out punch.

Mrs Gro Harlem Brundtland, in her second term as Prime Minister

Still attractive though slightly matronly in appearance Mrs Brundtland has an air of hustle and activity. She has learned from her earliest confrontations with Mr Willoch, and now has her emotions under much more careful control. "In earlier television debates with Mr Willoch you could actually see the colour rising in her cheeks, but in the last election campaign, she was much more controlled," says one leading commentator on Norwegian politics.

Mrs Brundtland is much more the populist politician than Mr Willoch and with scores of obligatory visits to hospitals and old people's homes in the last election campaign, she showed that she has not lost her winning bedside manner.

Compared with her main political opponent the 47-year-old Mrs Brundtland was a latecomer to politics. With a degree in medicine from Oslo University and the degree of Master of Public Health from Harvard in the US, she first made a career in the health service, not so much as a practising doctor as in academic and administrative medicine.

From 1965 to 1967 she was at the Office of Hygiene and Epidemiology and from 1968 to 1974 she was associate director of school health services in Oslo. She carried out scientific work in child growth and development.

Alongside a career in medicine and politics Mrs Brundtland is also a mother of four grown-up children. Her husband, Mr Arne Olav Brundtland, a researcher at Norway's foreign policy institute, is an active grass-roots Conservative Party politician, a fact that Mrs Brundtland is seldom allowed to forget. The family lives in Bygdoy, one of Oslo's most fashionable suburbs.

Although a late starter, politics was in the blood. The daughter of a former Labour Cabinet minister (he served in both defence and health and social affairs), Mrs Brundtland became actively engaged in politics at school. At Oslo University she was deputy chairman of the Labour Party student union.

She took an active part in the free abortion movement, but was still hardly a prominent public personality, when she was plucked from the health administration by Mr Trygve Bratteli, then Labour Prime Minister, to take over the Environment Department. She served as Environment Minister from 1974 to 1979, before moving into parliament as deputy leader of Labour's parliamentary group.

One of her main contributions to the development of the Labour Party has been in foreign affairs, where unity has been regained after the splits suffered over Nato's twin-track decision on the deployment of intermediate-range nuclear missiles in Europe.

Mrs Brundtland is no stranger to the international stage, and is one of the most obvious Nordic candidates to fill the vacuum left by the assassination of Mr Olof Palme, the Swedish Prime Minister.

She was a member of the so-called Palme Commission, the independent commission on disarmament and security issues, which presented its report on the theme of common security to the UN in 1982. In 1983 Mrs Brundtland was appointed by the UN as chairman of her own commission, the World Commission on Environment and Development, earning her the title in the Norwegian press of World Environment Minister.

Mrs Brundtland, who led the Labour Party to the brink of victory in last September's election, could hardly have come to power in more difficult circumstances than at the beginning of May. Only time will show whether she has been handed a poisoned chalice by Mr Willoch, or whether she has the guile and good luck to steer Norway out of one of its most serious economic crises, an achievement that could take Labour to victory at the next election.

Kevin Done

Maverick out in the cold

The government fell when Carl Hagen, leader of the tiny Progress Party, broke his pre-election pledge.

FEW Norwegian politicians can have felt so left out in the cold as Mr Carl I. Hagen, head of the maverick right-wing Progress Party. He leads a parliamentary group of just two members, but the result of last September's general election left him holding the whiphand in the Storting, the Norwegian parliament.

The three-party Conservative-led coalition Government was dependent on the two Progress Party votes to ensure a non-socialist majority, but Mr Kare Willoch, the Conservative Prime Minister, and his allies in the Centre and Christian People's parties chose to ignore the fact and carried on as if they still had their own majority.

From the outset they shunned Mr Hagen, and in particular the Centre and Christian People's Party regard the politics of the Progress Party as beyond the pale. Without Mr Hagen, the non-socialist parties lack an overall majority, but still they have found it impossible to deal with him.

The Willoch Government was unwilling to realise that it was a minority government, says Mr Hagen. "They have treated us as if we should stay in the corner until they wanted us to vote, then we could go back and keep quiet."

In the last election campaign Mr Hagen pledged that the Progress Party would never bring down a non-socialist government if the alternative was a Labour administration. Now he has broken that pledge, and the previous government parties are not likely to forgive him lightly.

Mr Hagen himself does not feel that he brought down the Willoch coalition—he claims it was responsible for its own downfall. "I did not think it would happen. I did not dream that Willoch's minority government would make a point like this [an increase in petrol excise duty] a vote of confidence. He picked it because he wanted to resign. I am 99 per cent sure that he wanted to get out."

The Progress Party is committed to opposing tax increases, and wants to abolish taxes including income tax and land, property and inheritance tax. It wants to let private enterprise into the health and education services, to privatise state commercial operations, to sell Statoil and the state banks and to drastically reduce the public sector.

Such a position made it impossible for Mr Hagen to support higher petrol tax—or at least impossible without some concessions in return, and the coalition had few intentions of negotiating with him. "We are in a Kafka process," he told the Storting parliament last month. "We are condemned by all, but no one will say what they want from us."

Having, nevertheless helped the Labour Party into power, Mr Hagen now wants to bring a non-socialist government back into office as soon as possible.

He says he is ready for compromise, but he has raised the stakes. He now wants a place for the Progress Party in government.

His prospective partners will have none of it, however, clearly preferring opposition if the alternative is co-operation with Mr Hagen. "Progress Party policy is so far to the right, it is quite unacceptable to us, says Mr Johan Jacobsen, leader of the Centre Party, which draws much of its support from the regions and the agriculture and fishing sectors, highly dependent on government subsidies.

"We feel that the gulf between us and the Progress Party is so huge that we cannot have real negotiations."

A senior Conservative Party strategist says: "We have no theological reasons for not working with him, but the problem is that he is so irrational. We cannot change government every fortnight according to the whims of Mr Hagen. We will just have to ignore him."

Political memories may be short, but for Mr Hagen the gamble is whether the voters in the next general election in 1989 will still be blaming him for bringing Labour back to power in 1986. At the last election Progress lost two of its four seats in the Storting, so Mr Hagen is clearly living dangerously.

With his clean good looks, Mr Hagen is normally brimming with self-confidence, but even he looked shell-shocked and tired after the beating he took from the other non-socialist parties in the first big Parliamentary debate following the downfall of the coalition.

At 42, Mr Hagen has been in politics since 1973, when he joined Mr Anders Lange's anti-government, anti-tax protest movement at the founding meeting. Two weeks later he found himself party secretary.

When Mr Lange died in 1974 Mr Hagen replaced him in parliament until the 1977 election, when he lost his seat. He gained a place on Oslo City Council in 1979, having taken over a year earlier as party leader, and then regained his seat in parliament in 1981.

Before his political career, Mr Hagen was managing director of the Norwegian subsidiary of Tate & Lyle, the UK sugar company. He studied previously in the UK at the Newcastle College of Commerce and was active in student politics.

Given that so many of his potential allies in the non-socialist camp consider he is the unacceptable face of Norwegian politics, Mr Hagen is condemned to playing the perpetual role of *enfant terrible* in the Storting.

"He had never looked so happy as when he was photographed in front of the Christmas tree in parliament with the coalition party leaders when they finally reached agreement on this year's Budget," says one political analyst in Oslo.

Such political acceptance still appears an elusive goal, however, and Mr Hagen's more likely fate is continued astracism for his role, witting or unwitting, in bringing down the non-socialist Government and replacing it with Labour.

Kevin Done

Foreign Policy

Renewal of EEC interest

THE ADVENT of the Labour Government will not lead to any basic changes in Norwegian foreign and defence policies; but there may be some changes of emphasis, especially on Nato, related issues, and perhaps in relation to South Africa. The new régime has already restated official policy on co-operation with Opec.

Although the basic elements of Norwegian policy, membership of Nato and the European Free Trade Association, and the maintenance of a relatively strong defence capability, are not in question, the past few months have seen renewed discussion of the merits of Norwegian membership of the EEC, which was rejected by a national referendum in 1972.

Since the issue of EEC membership has been more or less taboo since 1972, the revival of interest in the topic, with the new defence minister, Mr Johan Jorgen Holst, among the most eloquent advocates of keeping the membership option open, may be significant.

But for the time being the discussion remains academic. If Norway decides to re-apply for membership, it is unlikely to do so until some time after 1990.

The Norwegian Labour Party is the first Social Democratic party to take office in a Nato country in north-west Europe since similar parties (including the Dutch, Danish and West German Social Democrats and the Labour Party in Britain) broke with Nato's 1979 twin-track decision on medium-range missiles — to negotiate for withdrawal of Soviet missiles and, if the negotiations failed, to deploy US missiles in Europe.

Except in Britain these parties endorsed the 1979 decision.

Meanwhile, these left-wing parties have also come out strongly against President Reagan's Strategic Defence Initiative (SDI) and shown a new interest in the establishment in Europe, including the Nordic area, of nuclear-free zones, guaranteed by treaty.

These factors have raised the question whether the new government will adjust Norway's policy on these Nato issues and, if so, how it will go about it.

But the Government is a minority administration, which restricts its freedom of manoeuvre; and the Prime Minister, Mrs Brundtland, has made it clear that she does not want to find herself in a position where her government is pursuing policies which are not fully supported in the Storting (Parliament).

Even without this limitation, Mrs Brundtland seems to be sceptical of the approach adopted in Nato by Greece and Denmark, both of which, over the past few years, have entered a series of footnote reservations to Nato decisions in communiqués from Nato ministerial meetings.

She has said that Norway's voice will carry more weight in Nato if its views are expressed internally and she was quoted in an Oslo newspaper as telling party colleagues who wanted a more outspoken approach: "We don't want to become a laughing-stock in Brussels."

The one issue on which about might want to go so far as footnoting a Nato decision is on the INF (intermediate nuclear force) issue, on which the party is opposed to deployment. It advocates a halt to deployment while a new attempt to reach a negotiated settlement with the Soviet Union is made.

A Nordic nuclear-free zone (the Nordic countries are *de facto* nuclear-free already) is supported by Labour only as part of a wider European settlement which rules out a unilateralist approach, though there is a sizeable lobby on the left of the Labour Party which supports a unilaterialist approach.

The zone debate is regarded with much misgiving at Nato headquarters in Brussels because it conflicts with its basic strategy of nuclear deterrence.

But the new administration in Oslo has already made itself felt in Nato through its opposition — together with Denmark, the Netherlands and Greece — to the US plan to resume production of chemical weapons though Norway did not take this issue to the extent of footnoting.

In fact the new government's first significant departure on a foreign policy issue from the attitudes of the outgoing administration came over its attitude to co-operation with Opec, promising that if Opec could stabilise oil prices at a reasonable level, Norway would contribute to such stability.

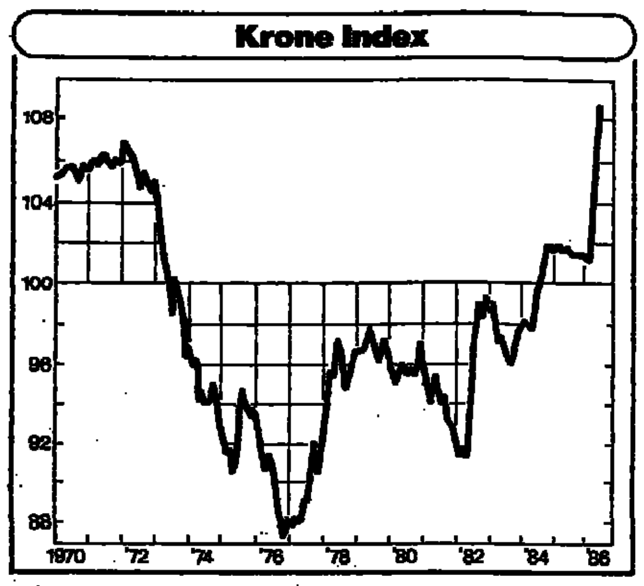
The change from the former government's policy on this issue is in fact slight. "The only difference is that Labour is saying things out loud," said a member of the outgoing administration. "We would have helped Opec too, but we did not want to say so, for that would have taken the responsibility from Opec's shoulders."

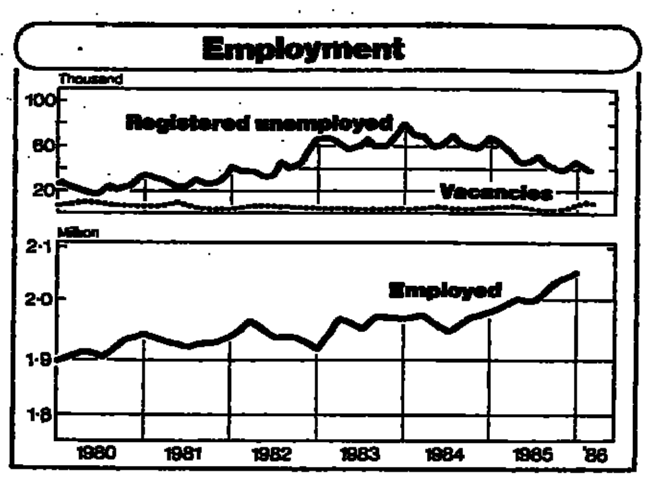
Labour's policy raises problems for the oil companies operating in Norwegian offshore waters. The corollary of price support policies is the regulation of production, and if the companies fear that they may suddenly be stopped producing in the high-cost Norweigian fields they may think twice about development commitments.

On South Africa a White Paper published by the previous government recommended a licensing system to control and restrict all trade between the two countries and a system by which the Norwegian Shipowners' Association would keep a register, to be open to public inspection, of all its ships calling at South African ports.

While Labour's policy is that binding international sanctions on trade with South Africa should be introduced it may go slightly further than the previous government in pushing bilateral measures.

Hilary Barnes





Demand, Output and Prices

Percentage changes, volume (1980 prices)

	1982 current prices billion NKr	1983	1984	1985	1986	1987
Private consumption	175.2	1.5	2.7	7.5	4¼	2¼
Government consumption	79.4	4.6	2.0	3.2	2	2¼
Gross fixed capital formation	92.3	5.8	8.7	−13.8	31½	−11
Final domestic demand	338.0	3.4	4.2	0.4	10½	−1½
Change in stockbuilding*	3.8†	−2.1	1.3	4.5	−3½	3
Total domestic demand	341.8	1.1	5.7	5.3	7	1½
Exports of goods and services	165.0	7.3	7.5	4.9	2¼	1¼
Imports of goods and services	144.5	0	8.2	7.0	8½	½
Change in foreign balance*	20.5†	3.5	0.3	−0.5	2½	¼
GDP at market prices‡	362.3	4.5	5.6	4.4	4¼	2¼
GDP implicit price deflator	—	6.2	6.6	5.7	−2¼	2¼
Memorandum items						
Consumer prices§	—	8.4	6.6	6.1	5¼	5
Industrial production¶	—	−1.1	2.5	2.6	2½	2
Unemployment rate	—	3.3	3.0	2.5	2	2¼
Current balance ($ billion)	—	2.1	3.2	3.0	−3	−4¼

* As a percentage of GDP in the previous period.
† Actual amount of stockbuilding and foreign balance.
‡ GDP excluding oil and shipping. 1985: 4.4; 1986: 3½; 1987: 2¾.
§ National accounts implicit private consumption deflator.
¶ Excluding oil sector.
Source: OECD Economic Outlook, May 1986.

The Economy

Paying for indulgence

IN DRAMATIC circumstances Norway is having to face up to the consequences of its recent years of over-indulgence. Plunging oil prices and the falling US dollar are exposing the serious structural imbalances in the country's badly overheated economy.

Even without the fall in oil prices, the economy had been heading for trouble as an over-expansive fiscal policy and an abundant credit supply helped to fuel an extraordinary consumer spending surge.

The dramatic drop in oil revenues has uncovered the huge hole that already existed in the country's trade balance. As Norway's national income and terms of trade deteriorate alarmingly, the balance of payments' current account is plunging from a healthy surplus in 1985 to a large deficit this year.

The economic crisis and the oil price fall have hit Norway at a time when the country is in the midst of a political crisis without majority backing for any government in the Storting, the Norwegian Parliament.

The minority coalition government of Mr Kare Willoch fell at the beginning of May because of its inability to pass through parliament even a modest austerity package.

As the political crisis deepened, speculation grew against the Norwegian krone, leaving the incoming minority Labour administration led by Mrs Gro Harlem Brundtland with little choice but to devalue.

The new government opted for a 12 per cent devaluation in a bid to quell speculation and to give a Norwegian industry a competitive edge in international markets. The initiative appeared to be modelled on Sweden's 16 per cent devaluation in 1982, through which the incoming Social Democrats succeeded in putting the economy on a higher growth track.

The problem for the Norwegian devaluation is that it hardly comes when the economy is suffering from recession or an under-utilisation of resources. For the economy is already over-stretched and the Labour market — in stark contrast to most of Europe — is very tight with few resources available for ready transfer to the export industries.

Many economists fear that with inflation accelerating rapidly and wage settlements still being made at levels far above those in Norway's main trading partners, the risk looms of a second devaluation in 1987 or 1988.

The 12 per cent devaluation has been followed up with a package of austerity measures in a revised budget package far more severe than the tightening envisaged by the Willoch Government.

Labour has won support for its Budget from the junior partners in the former coalition, the Centre and Christian People's parties. It is still far from certain, however, whether the new Government can count on support during the autumn when it is preparing the 1987 Budget. Mr Gunnar Berge, the Finance Minister, has warned that tightening measures amounting to a further 1 per cent of gross national product must be expected.

The package in the revised Budget presented on May 30 amount to about NKr 3.4bn, comprising about NKr 2.9bn in higher taxes and some NKr 500m in reduced expenditure.

According to the economic review of Christiana Bank, the tighter fiscal policy stance is about as strong as might be expected. "It was disappointing, however, that spending reductions amount only to NKr 500m, and particularly that the Government once again does not touch transfers. These represent about 75 per cent of total central government expenditure, excluding oil activities.

"The volume of state transfers must be reduced if a balance in state finances and in the Norwegian economy is to be restored," the bank says.

The tax increases include a special surtax on incomes amounting to about 1 per cent on average incomes, a 30 per cent capital gains tax on share transactions, regardless of how long the shares have been held (previously shares held for two years were exempt), and higher petrol duty and electricity tax.

Defence expenditure and foreign aid have been hit by spending cuts, and measures have been taken to reduce some of the pressure on the labour market including cuts in public works, and labour market support.

With the devaluation and the revised Budget package the authorities are belatedly trying to slam on the brakes, but it will take some time for the measures to have much impact.

In the first months of this year the economy was still moving along in high gear. During the last six months of 1985 the gross national product for mainland Norway was expanding at an annual rate of 8 per cent, with a strong increase in employment and production and a big jump in imports.

The growth in private consumption in 1985 of 8.2 per cent in volume was the highest recorded since the Second World War, and the rate of growth was accelerating towards the end of the year with increases of 8.5 per cent and 9.6 per cent in the last two quarters.

The strong expansion in domestic demand fuelled by rising incomes, easily available credit and lax fiscal policies, continued into 1986. The tightness i nthe labour market can be judged from the fact that the number of people employed jumped by 3.4 per cent in the first quarter of 1986 compared with a year earlier, while the number of people seeking work had dropped to only 1.8 per cent of the workforce by the first quarter this year, one of the lowest unemployment rates in the world.

The crisis policy measures should start to slow the hectic growth and according to the latest official forecasts gross domestic product will expand by 3.3 per cent this year compared with 4.2 per cent in 1985.

After the jump of 8.2 per cent in private consumption last year, the Government is forecasting a rise of only 3.5 per cent in 1986. But this implies that for the rst of the year there should be no further growth. Purchasing power will be partly checked by rising inflation and tax increases, but these measures could still be undermined by the continuing high level of wage settlements.

Monetary policy, which has gradually ben tightened since the beginning of the year, must continue to bite with high interest rates and the use of various instruments to make it more expensive for the banks to grant new loans.

The Government has reduced the credit targets for the banks by NKr 5bn and raised interest rates in the money markets by 1 percentage point from the already high level in May to about 14-to-14.5 per cent. The higher lending rates that will result are clearly aimed at curbing demand. But the efficacy of monetary policy is undermined by the system of taxation, which makes interest payments fully deductible.

Kevin Done

Gas

$60bn balancing act for fields

Statoil's Kaisto gas terminal

THE $60bn gas sales deal concluded this month between Norway and a group of continental buyers was welcome news for the country's offshore industry—and particularly for companies with stakes in gas fields on the southern part of the Norwegian continental shelf.

It has been something of a problem for the industry that much more gas than oil has been found in Norwegian waters. The oil is the easiest to produce, and to sell, and accounts for 58 per cent of the 430m tonnes of oil equivalent (toe) extracted up to November 1, last year, and 64 per cent of the 1.14bn toe of reserves in fields in production or earmarked for development.

For other finds the proportions are more than reversed. In fields declared commercial but not yet scheduled for development, oil makes up only 13 per cent of reserves totalling 780 toe. Of other discovered reserves south of the 62nd parallel (1.54bn toe), it accounts for just about a quarter.

The sales agreement with Europe could pave the way for a better balance between oil and gas production, more in line with Norway's resources base. It provides for the export of 450bn cu metres of gas, over a 27-year period. Beginning in 1993, with a few billion cubic metres annually, supplies will gradually escalate to reach plateau deliveries of about 20bn cubic metres from the turn of the century.

Unlike earlier Norwegian gas sales deals, this one is not tied to a single field. The gas will come mainly from the two largest untapped fields on the country's shelf, Troll and Sleipner, but gas from smaller accumulations may also be fed into the system, providing a potential market for associated gas from small southern shelf oil fields likely to be developed from the late 1990s.

The fact that gas from other fields was included in the agreement took most people in the industry by surprise. For more than a year Statoil, the national oil company, had been negotiating with a six-company consortium of German, French, Belgian and Dutch interests about imports from the Troll field, which contains recoverable reserves estimated at 1,200 to 1,300bn cu metres.

Then it comes known that Elf Aquitaine Norge—the Norwegian offshoot of the French group, was trying to buy gas from Sleipner, also a large field, but only about a sixth the size of Troll. Elf, which was not a member of the consortium negotiating about Troll, planned to import the gas through a proposed new line running to Zeebrugge, in Belgium.

Gaz de France, the French member of the consortium, has a monopoly of gas imports into France which it intended to keep. It upset Elf's scheme by agreeing to take the gas which Elf had hoped to buy, in addition to the amount it had originally intended to take for itself. The aborted Elf deal thus boosted the contract's total volume. Elf still hopes to buy the Norwegian gas, but it will now have to get it from Gaz de France, inside the French border.

The new gas line to Zeebrugge, discussed in connection with the sale to Elf, will be laid as part of the Troll/Sleipner package. It will take gas exports to Belgium and France —2bn and 8bn cu metres per year, respectively—when plateau deliveries are reached. Gas for Germany and Holland (8bn and 2bn cu metres per year) will go through existing Norwegian lines to Emden, West Germany.

The Zeebrugge line will run close to the UK, making it simple and relatively cheap to lay a spur which could carry both Troll and Sleipner gas to the British market. Gas from Sleipner was, once tentatively sold to Britain, in a deal struck more than two years ago between Statoil and BGC. Whitehall vetoed that deal last year, fearing that it would discourage development of UK shelf resources.

But at present the British market gets about a third of its supplies from the UK/Norwegian Frigg field, and Frigg's reserves will be running out in the early 1990s, just when Sleipner will come on stream, under the new agreement. Some of Sleipner's gas could wind up in British households after all.

Norway still has a lot of gas to sell. Large as it is, this month's deal covers only about a quarter of the vast reserves available in Troll, plus Sleipner. Its significance, stressed by Statoil, is that it guarantees Norwegian gas continued access to European markets well into the next century, after the expiry of contracts concerning fields now in production or due to come on stream soon.

Details of how the two fields will be developed have not been settled. The Troll field straddles four blocks and two licence areas—the licence companies involved are discussing a "unitisation" agreement which would allow all four blocks to be developed according to a single plan. These discussions are due to be completed by the end of this year.

Because of technical problems such as deep water, difficult seabed conditions, Troll is unlikely to begin producing before 1996. If Statoil plans to start deliveries under the new agreement from 1993, the first gas will probably come from Sleipner.

This lies in a relatively shallow part of the North Sea which would permit development using fairly simple, steel platforms. The first stage of Troll's development will require a giant concrete production platform, dwarfing existing structures, costing an estimated $3bn to $3.5bn, and located on the eastern part of the field where two-thirds of Troll's gas reserves lie.

One possible obstacle remains to the exploitation of Troll, Sleipner and other untapped Norwegian fields. The Norwegian shelf operator companies' association (NIFO) says that at present price levels and without tax concessions, neither Troll nor Sleipner will be worth developing.

Not only these two large fields are at risk, they claim. There is a chance that none of the proven oil and gas accumulations on Norway's shelf will be developed unless the oil companies get a better deal. This warning—backed by all NIFO members except Statoil—was delivered to the Norwegian authorities only days after the gas sales deal had been signed. It was accompanied by a proposal for a package of changes in tax and royalty rules.

Mr Arne Oien, oil minister in the new Labour Government, has promised petroleum tax concessions in the autumn. These will probably be just generous enough to ensure that the $60bn export agreement does not come to grief.

A landmark in the development of Norwegian offshore gas was the commissioning last year of the 880 km Statpipe system linking the Ekofisk field, in the southern corner of Norway's sector, to take Statfjord field gas to Emden, West Germany.

On the way it makes a detour to a separation plant at Karsto, on Norway's west coast, where the heavier fractions of the rich gas — the so-called NGLs — are removed for separate sale. Further south, a spur connects it with the small Heimdal field. Heimdal was declared commercial in 1973 but could not be developed until transport was available.

When the Gullfaks oil and gas field comes on stream in 1989 its gas will also be carried by Statpipe. The Oseberg field will switch from oil to gas production around 2004 and its gas will probably also be moved through the Statpipe, which runs close to the field. A T-junction has been installed on the line, near Oseberg, to facilitate an eventual tie-in.

Three medium-size gas fields — Askeladden, Albatross and Snohvit — have so far been found off Norway's northern coast, though their distance from Western European markets means that at current prices they are not worth developing.

To a lesser extent the same is true of two gasfields found in the Halten Bank area — Midgard, with reserves put at around 100bn cu metres, and Tyrihans (50/70bn cu metres).

Development of the Halten Bank fields, with gas exports to nearby Sweden, could become worthwhile if the Swedes expand their market for household gas faster than at present planned. They have just started building a gas grid, taking Danish North Sea gas which is piped to southern Sweden.

The grid is to be extended to Gothenburg and later to central Sweden and possibly eastern Norway as well. At the input end it could be extended to take Norwegian supplies.

The process could be accelerated if, after the Chernobyl disaster, the Swedes decide to close down their nuclear reactors before the present target date of 2010. This is quite possible, for they are under particularly strong pressure from Denmark to close one reactor, Barseback, which is only 20 km from Copenhagen.

The NPD's annual report stresses the potential of the whole Scandinavian area as a market for Norwegian gas, noting that it is important enough "to affect the development of gas fields and oilfields with associated gas, area evaluations and investment in infrastructure on the Norwegian shelf."

Norway itself could make use of Halten Bank gas for power generation, but it would probably be related gas from an oilfield development in the area. The gas, as a by-product, could be sold relatively cheaply for this purpose.

Fay Gjester

Gas Output

(includes condensates from Frigg area)

1986	Statfjord*	Murchison*	Valhall	Frigg area	Ekofisk area	Total
	(m standard cu metres†)					
Jan	297.9	5.05	32.65	1,476	734.9	2,546
Feb	266.7	4.92	32.58	1,335	675.2	2,314
March	257.0	4.88	34.50	1,471	742.6	2,510
	821.7	14.86	99.74	4,283	2,152.8	7,372

* share of total

Offshore Fabrication

Job prospects dominate deals

THE EMPLOYMENT created in Norway by offshore oil and gas has been almost as welcome to successive governments as the tax revenues and export income from petroleum production. At times the preoccupation with ensuring a steady flow of contracts to Norwegian fabricators has seemed to overshadow all other considerations in national petroleum policy planning.

Some 63,726 people were employed in offshore-related jobs in 1985 compared with 58,732 a year before. Only 6.7 per cent were foreigners (7 per cent) and 8,968 women (7,696). The total population of the country is only 4.15m.

Norway's new petroleum law approved last year, contains three references to employment.

It says licence applicants must explain how they intend to co-operate with Norway's supplier industry to ensure a "real opportunity" to secure contracts for goods and services. Another section, covering applications for approval of a field development project, says that the operator company must detail how it has arranged to co-operate with Norwegian industry to pave the way for suppliers of goods and services for development, operation and maintenance.

Just to make certain, a separate section says that in petroleum-related activities "competitive Norwegian suppliers must be given real opportunities to achieve contracts for the supply of goods and services," and adds that the oil industry can lay down rules, or attach conditions to individual licences.

For contract awards worth NKr 1m or more, the ministry must be provided with a list of the companies invited to tender, an overview of bids received and a report on the intended contract award. At any stage, the authorities can exert pressure in favour of Norwegian suppliers.

These official efforts have meant the net Norwegian content of deliveries to petroleum-related industry over the past few years has been between 50 and 80 per cent. The value of contracts relating to fixed installations offshore has fluctuated between NKr 15bn and NKr 20bn annually. Norwegian companies have captured a high proportion of contracts relating to engineering design and fabrication, but in certain products areas (drilling equipment, for example), foreign companies continue to dominate.

Work generated by the offshore sector has helped the plight of Norwegian shipbuilders during the long shipping recession. The two largest—Aker, and the Kværner group's Rosenberg yard, in Stavanger—have switched almost entirely to offshore construction, while many smaller yards have survived on the back of the supply boatbuilding boom. Even so, as in other western nations, the shipbuilding/fabricating industry has been shrinking, relentlessly, as orders have been diverted to the Far East.

Capacity considerably exceeds the volume of work likely to be available during the next few years. There is a glut of supply vessels and drilling rigs. In any case, shipowners, not oil companies, place orders for mobile rigs—and none has been built in Norway for several years. In 1985 a Norwegian yard—Trosvik—booked the country's first mobile rig order for four years and started work on it. But finance for the unit failed to materialise, and Trosvik faces bankruptcy.

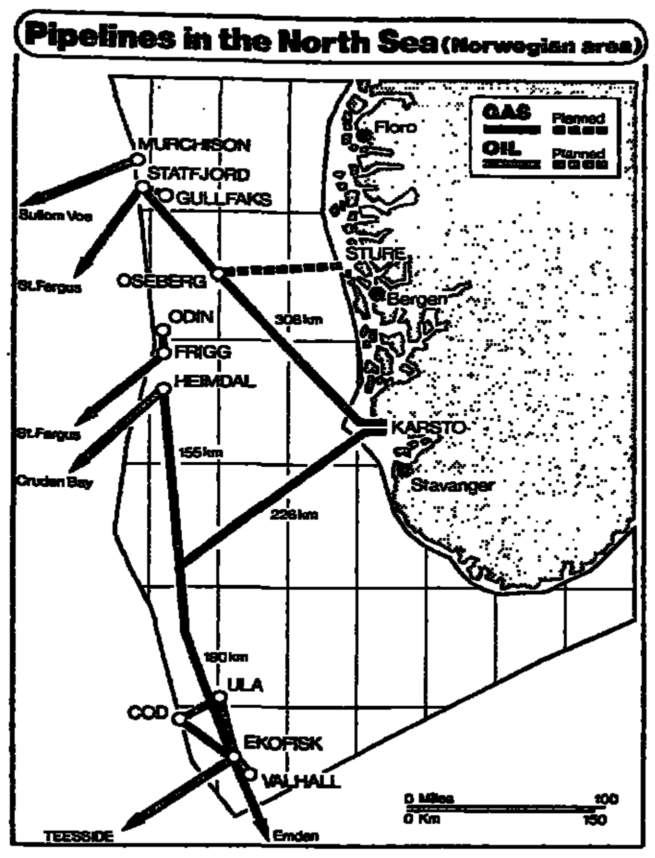
The acceleration of the Gullfaks Phase II project, after the OK vetoed the Sleipner gas sales deal, has stimulated the flow of contracts to fabricators this year. But there are still plenty of Norwegian yards with virtually empty order books.

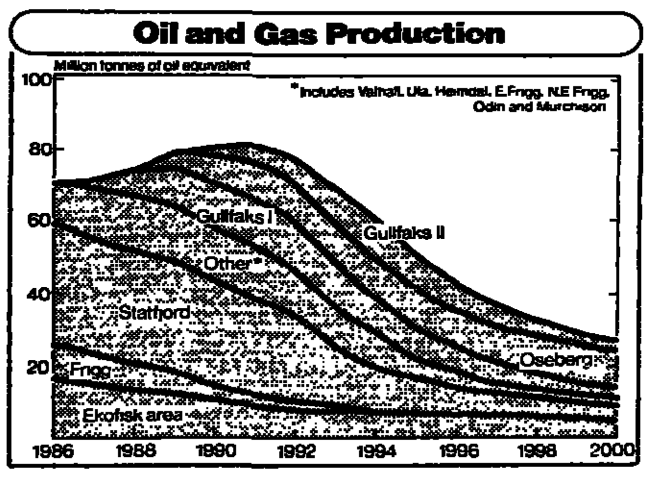
For these companies, the recent news of Norway's biggest gas deal has provided new hope—although it will be some time before tenders are invited for work on either of the fields covered. Nor will the volume of work generated be large enough to keep all Norwegian offshore suppliers in business.

Fay Gjester

Petroleum-Related Employment

	1985	1984	1983
Exploration, drilling, production	23,621	20,796	17,590
Bases, transport, catering, administratn.	9,570	8,085	7,857
Building/maintenance, platforms and supply ships	27,401	24,669	26,249
Building/operation, processing plants and pipelines	3,734	5,182	774
Totals	63,726	58,732	52,170





Oil Output

(includes natural gas liquids)

1986	Statfjord*	Murchison*	Valhall	Ekofisk area (seven fields)	Total
	(m standard cu metres†)				
Jan	2.94	0.115	0.207	0.983	4.16
Feb	2.71	0.102	0.202	0.801	3.82
March ...	3.00	0.101	0.216	0.853	4.17
Totals ...	8.66	0.319	0.626	2.549	12.15

* share of joint Anglo-Norwegian sector
† 1 standard cu metre = approx 6.29 barrels

Oil

Pressure on costs as prices plunge

"THE NEW oil price levels amount to a revolution for our whole industry. We haven't even begun yet to adapt ourselves to the new situation. We must—as quickly as possible. Every project and every aspect of our activity must be re-evaluated."

Mr Peter Kassler, managing director of Norske Shell (Shell's Norwegian offshoot) summed up the position thus at a news conference in April to present the results for 1985.

"Last year was the best in the company's history. This year may well be one of the worst," he added.

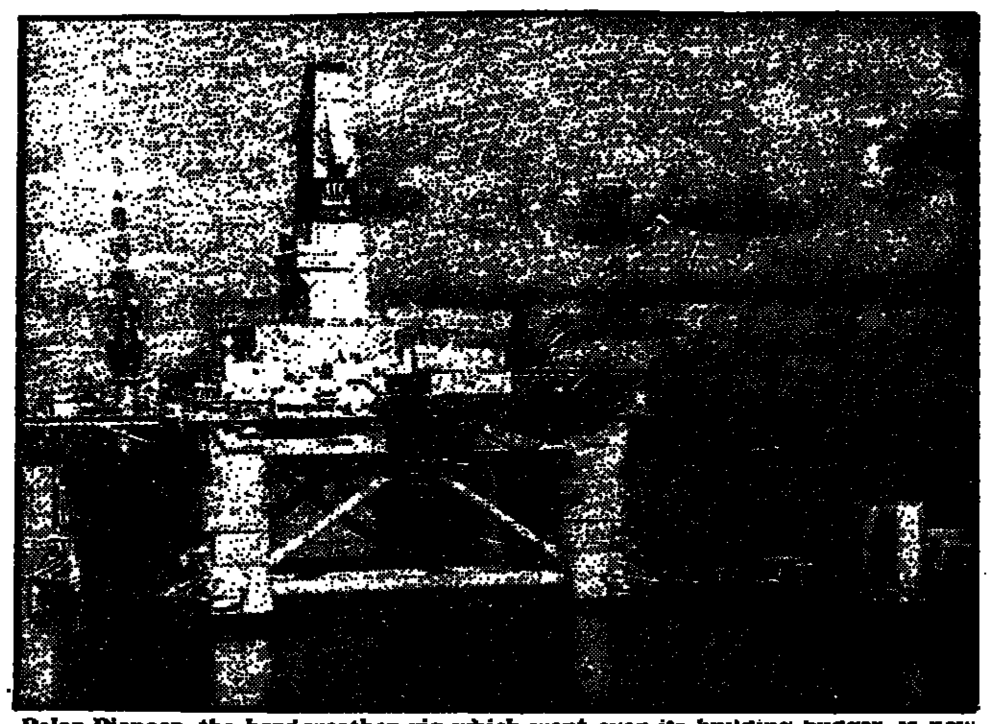
Every Norwegian concern involved in the offshore oil industry is in the same boat. Corporate strategies, particularly staffing levels, are being scrutinised to see how costs can be cut to match the plunge in income caused by the oil price collapse.

The oil companies can make immediate and substantial savings by cutting back on exploration. Last year saw a record number of wells "spudded" (started) on the Norwegian shelf—50 in all. Of these, 29 were "wildcats," probing previously unexplored structures. The rest were "appraisals," investigating the extent of earlier discoveries.

Late last year, before the gravity of the crisis had become apparent, it looked as if 1986 exploration would easily beat the 1985 record. According to the Norwegian Petroleum Directorate (NPD) — advisory arm of the oil ministry—companies had tentative plans for a total of 63 "spuds" this year. Lately they have trimmed these schedules.

The NPD announced in mid-April that it now looked as if 20 of the 63 would be postponed until next year. It added that company reports to the directorate, collected in late March, mostly cited the need for a more thorough evaluation of previous well results, and seismic data, as grounds for the proposed delays. But the directorate "did not discount the possibility" that low oil prices were the real reason.

Statoil, the national oil company, seemed to be trying to arrest the trend earlier this year when the managing director, Mr Arve Johnsen, said that drastic reduction of exploration would be "like a farmer eating his seed potatoes." No change had been made in the company's 1986 programme, he told the Press in March. Over the longer term income levels would "to some extent" affect exploration spending, but savings would first be made in other areas.



Polar Pioneer, the hard-weather rig which went over its building budget, is now under charter to Norsk Hydro

His words had little effect on other companies' cutbacks and since then Statoil itself has changed its mind. It announced last month that its 1986 exploration budget of about NKr 2.5bn was being reduced by just over 20 per cent, to under NKr 2bn. Its new employment programme, which envisaged increasing staff by 800 this year, has been halved.

The exploration budget cut partly reflects the objections of Statoil's partners, concerning certain wells, to sarting work this year. On other wells Statoil has decided to delay. It will therefore need only four mobile drilling rigs on the Norwegian shelf this year. A fifth unit, the Dyvi Stena, which it has on charter, has been re-let to another oil company.

Rig-owners are among those hardest hit by the slump so far—particularly those who invested in expensive, harsh-environment rigs designed to operate in Arctic water in mid-winter and equipped to offer their Norwegian crews the highest standards of safety at work, and comfort off-duty, even at those latitudes.

Such units are the "Rolls-Royces" of the industry, coming on to the market at a time when cost-conscious oil companies are looking for "Minis."

A good example is the Polar Pioneer, which began work last year under a five-year charter to Norsk Hydro. It took four months longer than scheduled to complete and proved to be several million dollars more expensive than the budgeted $100m. In an out-of-court settlement its owners, its Japanese builders and the charterers agreed to split the extra costs.

Norsk Hydro is unlikely to drill as many wells in northern waters over the next few years as were probably planned when it chartered the "winterised" Polar Pioneer.

Other oil companies with rigs on long-term charter are terminating the charters as they expire, preferring to rely on the spot market—now glutted with idle rigs—to meet their needs.

As well as the rig-owning companies supply-ship operators are severely hit when exploration programmes are reduced. Even before the oil price collapsed there were too many of these vessels because of over-contracting triggered by Norway's complex tax-avoidance system. Many are now working at rates which barely cover their running expenses, leaving nothing to meet capital costs.

Other concerns, affected include all the service companies, ranging from drilling mud suppliers to the helicopter operators that carry crews to and from the rigs. Oil company response to Norway's eleventh licensing round will be eagerly awaited by these interests. The round offers 39 blocks, all north of the 62nd parallel. Applications—invited in March—are due by October 10.

While a sharp reduction in exploration creates many problems, even more serious for the future of the oil industry would be a prolonged hiatus in new developments. According to Mr Farouk Al-Kasim, NPD resources management director, Norway could lose the skills it has built up if development momentum is not maintained.

Maintaining exploration at a high level was less crucial, he said, since known resources were already "more than adequate" to keep the industry going for some time.

The NDP's annual report, recently published, says new discoveries last year, and revisions of earlier estimates, have together boosted total reserve estimates for the southern part of the Norwegian shelf—below the 62nd parallel—by 350m cubic metres of oil, and 160bn cubic metres of gas.

The latest figure for proven, technically recoverable reserves on this part of the shelf is 4.65bn tonnes of oil equivalent (TOE), of which 0.43bn have been extracted so far. The NPD has not estimated reserves in the part of the shelf—some 15 times as large—lying north of the 62nd parallel.

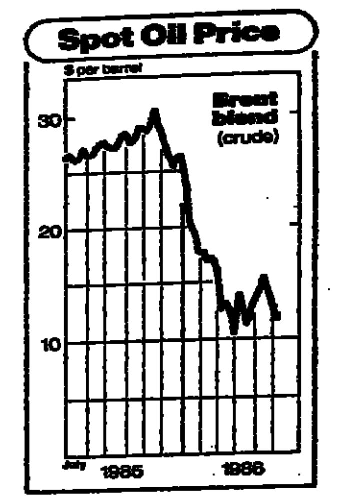
In addition to several fields producing mainly—or only—gas, Norway has 10 oil and gas fields on stream (see Table 1) and three under development. The three being developed are Ula, Gullfaks and Oseberg, due to start production in, respectively, October 1986, summer 1987 (Gullfaks Phase I) and summer 1989.

The second phase of Gullfaks, brought forward to maintain investment levels after last year's British decision not to buy gas from the Norwegian Sleipner fields, is already providing the country's fabricating industry with badly-needed contracts. It should come on stream in 1990.

Since the hurried move to speed-up Gullfaks Phase II no major Norwegian oilfield development has been approved. Statoil has announced a modest NKr 1.7bn scheme, approved by the oil ministry, to tap one part of the small Tommelite gas/condensate field.

Phillips Petroleum, which had a 25.87 per cent stake in the field, relinquished its interest because it found the project uneconomic. It was the first time that a Norwegian shelf licensee had ever returned its share of a block containing proven, recoverable hydrocarbons. —

Norsk Hydro, also with oil ministry approval, proposes to take 2.5bn cu metres of gas a year from the vast Troll field and pipe it to Oseberg, to supplement the reinjection of Oseberg's own gas and thereby boost oil recovery. This scheme —separate from the main Troll field development—will cost about NKr 3bn.



Both these developments will generate a small volume of work, but their contribution to Norwegian petroleum output totals will be negligible.

The development of the Troll and Sleipner fields—virtually certain following the recent gas sales agreement between Norway and the Continent—will help prevent a steep drop in output in the second half of the 1990s as several of Norway's oldest producing fields become depleted.

The deal provides for plateau exports by the turn of the century of around 20bn cu metres of gas annually. This will just replace today's gas exports from Ekofisk and Frigg.

Other projects on the horizon are the large Snorre field (oil and some gas), and the oil accumulations found during the past couple of years in the Halten Bank area off Norway's central coast—Statoil's Smorbukk, Shell's Draugen and Conoco's Heidrun.

All lie in deep, hostile waters, and will be costly to develop and operate. Promised changes to Norway's petroleum taxation system, due for submission to the Storting (Parliament) in the autumn, might make one or all worthwhile.

Much will depend on how oil companies and their bankers see prices developing towards the mid-1990s, which is about the earliest that any of these fields could come on stream.

Fay Gjester

Banking

Deregulation narrows margins

DEREGULATION and liberalisation have transformed Norwegian financial markets over the past few years, but the process has been applied primarily to domestic markets. The relatively stringent regulation of capital transaction with other countries has in general been maintained.

"We want to be able to pursue an independent monetary policy," explained Mr Leif Eide, of the market operations department of Norges Bank (the central bank).

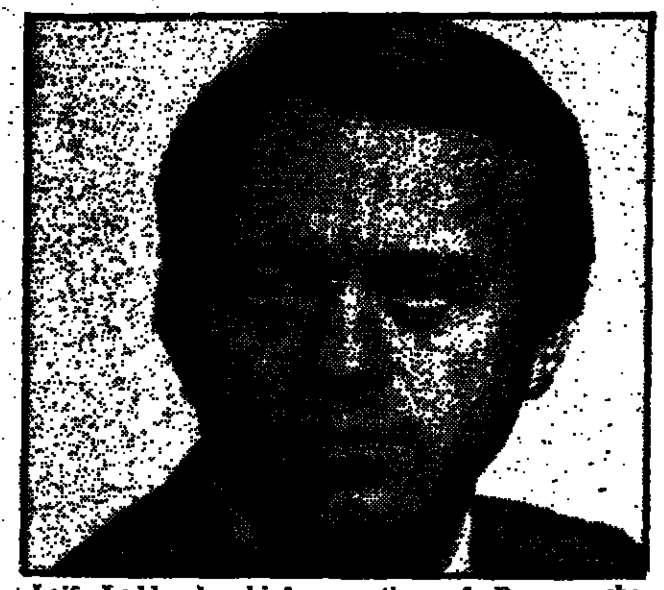
Milestones in deregulation include:

- Reintroduction in 1981 of the right for non-residents to purchase shares in Norwegian companies, which has contributed to a revival in the market for equity capital.
- Suspension in 1984 of direct regulation of bank lending and in 1985 of the system of administered interest rates for the banks.
- Introduction of short-term financial instruments, notably a market in bank certificates last year.
- Elimination of the post-war system of compulsory investment in bonds by banks and insurance companies, which has enabled the creation of a functioning bond market.
- Removel of the entry barrier to foreign banks in 1985.
- The establishment of the first new Norwegian-owned bank for 35 years in 1984.

The post-war system of administered interest rates and quantitative credit controls gradually broke down in the 1970s, as demand for credit spilled over from the banks and savings banks into the "grey" market—finance companies and insurance companies — which gained market shares at the expense of the banks. A main purpose of deregulation was to introduce more market-conforming policies, which affected all financial institutions more or less equally and did not hit only the banks and savings banks. This in turn was designed to create a more competitive climate.

The most striking evidence that the markets have become more competitive is that the margin between interest on deposits and lending in the banking sector has narrowed by about 1½ percentage points over two years. Banks are being forced to be more cost-conscious and made to develop new sources of income, some off-balance sheet and some through greater use of fees.

The banks relied in the post-war era almost entirely on interest earnings. The switch to charging fees was pioneered by Den norske Creditbank (DnC), the largest commercial bank, with a group balance sheet total of NKr 91bn last year. In 1984 the bank introduced a consolidated personal account system, by which a high rate of interest was paid on the sum of all deposits in a customer's accounts, but charges made for all services, including cheque and card transactions.



Leif Loddesol, chief executive of Den norske Creditbank, which pioneered the switch to fees

Highly controversial at first, the system soon proved attractive not only to DnC customers but to customers from other banks as well. It now comprises about a quarter of all the bank's customer accounts. One important effect of the system is a reduction of 40 per cent in the number of cheque transactions by this customer group, said Mr Harald Moen, deputy managing director.

"It has often been said that soon the number of commercial banks will shrink from 20 to 10 or 15, but now there are 27," said Mr Trond Reinertsen, managing director of the Bankers' Association. These include seven foreign banks established last year and Oslo Bank, the new home-owned bank, set up in 1984.

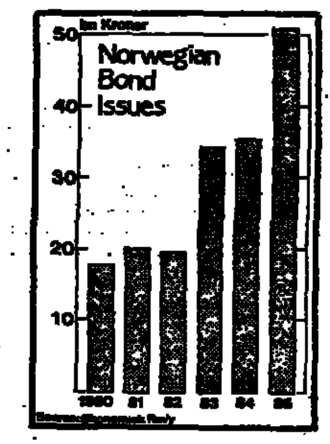
There are also about 250 savings banks, many serving a single village community, though not necessarily less profitable on that account.

One of the most notable events in banking last year was the formation of ABC Bank by the merger of the Oslo Akershus Savings Bank and Fellesbanken, the "central" bank of the savings banks. With a balance sheet total of NKr 32bn at the end of last year, the savings banks now have an institution big enough to compete with the larger commercial banks.

"The bank has the economic and financial resources to serve both big and small customers and to develop the international business which the customers and the savings bank movement require," said the bank's first annual report.

But ABC Bank still has a long way to go before its balance sheet is the size as DnC's, Kreditkassen's (NKr 75bn) or Bergen Bank's (NKr 61bn). And a report by a committee of the Finance Ministry suggests that the authorities will be very restrictive in allowing ABC Bank to grow by merger, just as the committee recommends that the big three commercial banks, and the big four insurance companies, should not be allowed to merge.

Meanwhile, however, the big three commercial banks are gaining market shares by extending the geographical coverage of their branch networks. Traditionally, Norwegian banks have relied on a regional base. By the end of this year, when 16 new branches will be opened, DnC claims that it will have a branch in every county and important town. Kreditkassen and Bergen Bank are in hot pursuit in the bid to gain a genuine national branch network.



The big three are, of course, well established internationally. DnC's latest move was the opening in April of a subsidiary in Gothenburg. Earlier, DnC took over the former Nordic consortium banks, Nordic Bank, London, and Nordic American Bank, New York.

Bergen Bank is the Norwegian partner in the co-operative venture between four Nordic banks in Scandinavian Banking Partners, S-E-bank in Sweden, Union Bank, Finland, and Privatbanken, Denmark. Bergen Bank, through its 80 per cent holding in Deutsch-Skandinavische Bank, Frankfurt, is the only Norwegian bank with a West German footing.

Kreditkassen has wholly-owned subsidiaries in Luxembourg and New York and joint ventures with Sweden's PKbank in London, New York, Hong Kong and Singapore.

The seven foreign banks which opened up in Oslo in 1985 have not had an easy time. None made money last year and they are not permitted to compete on an equal footing with the Norwegian banks, as they cannot engage in capital market (securities) business, raise subordinated loan capital, nor set up branches.

They were also hit by credit restrictions in January, which penalised banks with a growing lending portfolio.

"Banks which must grow have been refused that possibility—it's unfair," said Mr T. Andreas Bjelland, managing director of Banque Paribas Norge. But he added that the foreign banks have been well received in the market and he feels sure that the authorities once they have learned to live with the foreign-owned banks, will gradually lift the restrictions.

Oslo Bank's founder, Mr Jan Breivik, realised in 1984 that in a market where there was practically no price competition, there was money to be made by a new bank with competitive pricing and low costs. From a single office, in a villa some way from the city centre, the bank is doing traditional deposit and lending business, catering for what was described as "the upper end of the retail market"—some call it the Yuppie market.

So far the bank has been a success, building a balance sheet of NKr 2.1bn after two years and making NKr 37m, last year, or 2.35 per cent of average assets employed. This made it the second most profitable bank in Norway last year. Progress has continued this year: in the first four months it made NKr 25m.

Hilary Barnes

A feature of the Oslo Stock Exchange (above) has be en the growing share of business done in after-hours trading

Stock Market

Reprieve for profits tax relief

THIS MONTH Friday the 13th was a lucky day for Norwegian stockbrokers and their customers. It brought the news that profits on the sale of shares held for a certain time would remain tax-free.

The austerity "mini-budget" announced by the minority Labour Government two weeks earlier had included a proposal to abolish tax exemption on profits from share trading. Whether the shares had been held for a day or a decade the profit on sales after May 1 this year was to have been subject to a flat tax of 30 per cent. Before that, profits had been tax-free if the shares were held for at least two years.

The proposal triggered loud protests from investors and industrialists. A decline in prices on the Oslo exchange since December trimmed some of the substantial value gains recorded by the shares of most important Norwegian companies during the preceding three-year stock market boom. Even so, many individuals and companies have assets in the form of increased portfolio values which would have been diminished by 30 per cent overnight had Labour's measure been approved.

Oslo Stock Exchange Indices

	Jan 2	March 26	June 12
Banking	183.02	166.35	169.46
Insurance	251.65	222.36	235.20
Industry	395.02	356.51	348.86
Oil	215.82	182.09	207.71
Shipping	385.04	334.76	339.33
ALL-SHARE	306.94	275.44	277.39

(100=Jan 1983)

However, because the government lacks a majority in the Storting (Parliament), it had to bargain with the Opposition to get its austerity package approved. The outcome was that the period shares must be held to escape tax is being extended from two to three years, and the tax rate boosted 5 per cent to 35 per cent.

The compromise had the backing of all three parties in the previous Conservative-led coalition. When we went to press, just before the vote, it therefore looked set for certain approval.

This is relatively mild medicine. Last year, when the Stock Exchange boom was peaking and the popular newspapers were full of stories of huge fortunes being made by corporate raiders, far tougher measures were proposed by the LO, Norway's trades union body. It wanted to see the tax on profits from share trading restored to 50 per cent, the level of 4½ years ago under the previous Labour government—and the introduction of a 2 per cent stamp duty on deals.

The market was worried at the prospect of a stamp duty, since experience in other countries has shown that this puts a brake on turnover.

A feature of the Oslo market so far this year, apart from the generally weaker price trend, has been the growing share of business done in after-hours trading. In 1985 such trading accounted for 49.5 per cent of dealing in quoted shares. Up to end-May it had averaged 53.5 per cent, with a peak in March of 66.5 per cent.

In other words, on what might have appeared a dull day in March, with turnover at only around NKr 30m, some NKr 90m worth of shares changed hands. During March and April this year, share trading on the exchange was worth about NKr 1.8bn — unchanged from 1985—while after hours dealing had a total value of NKr 3.1bn (NKr 1.4bn a year earlier).

Market sources estimate the total value of share deals (on and off the exchange) in the first five months of 1986 at about NKr 10bn only about NKr 500m less than in the same period last year. Investors may be losing money on their share deals, but brokers' commissions this year could be close to the record 1985 figures.

Fay Gjester

Metals

Structural shake-ups

FACED WITH declining consumption, excess production capacity and sharply lower 1985 profits, the Norwegian metals industry has embarked on a far-reaching rationalisation process.

Since the start of the year, the industry has seen a significant shake-up in the ferro-alloys field, and has just concluded a structural change in the aluminium sector.

The country has abundant supplies of cheap hydro-power, which combined with high-grade raw materials and sheltered, ice-free deep water ports have enabled the country to become one of the world's leading producers of aluminium, ferrosilicon, silicon metal and magnesium.

These have also helped most companies stay in the black when many European competitors were producing at a loss.

The country has a European market share of 35 per cent in silicon carbide, producing 75,000 tonnes; 60 per cent in ferrosilicon (700,000 tonnes) and 70 per cent in magnesium (50,000 tonnes).

About 40 per cent of the industry's hydro-power requirements are met with company-owned power stations. The remainder comes from long-term supply contracts.

The three largest companies in the sector, Norsk Hydro, ASV and Elkem, together with about 10 smaller ones, generate 10 per cent of the employment, 15 per cent of the added value and 25 per cent of the investment in Norwegian manufacturing.

The state-owned ASV group, with an output of some 360,000 tonnes, is the dominant producer of (mainly bulk) aluminium. Last year it saw profits plunge to NKr 394m from the record NKr 1bn achieved in 1984.

The group has reached agreement for its output to be combined with the 260,000 tonnes of largely upgraded fabricated aluminium manufactured by Norsk Hydro. Talks originally broke down last year, but when ASV found a potential West German partner in the state-owned VAW group, the Norwegian Industry Ministry asked that one final attempt be made to restructure the industry.

Although Norsk Hydro, with an annual turnover of NKr 24.3bn, is better known for oil and fertilisers, it is also one of the country's leading manufacturers of light metals, with extrusion plants in Europe and the US. In spite of a weak overall world market, the group managed to increase profits in this division from NKr 683m in 1984 to NKr 709m on sales of NKr 5.37bn, although this was largely due to profits derived from magnesium.

Hydro single-handedly controls 25 per cent of the world's magnesium and magnesium alloys market with a total production of 50,000 tonnes.

The group has achieved an energy saving breakthrough in new magnesium production technology, and is planning a move onto the North American market by building a new NKr 1.8bn production facility in Canada, which will double annual capacity to 100,000 tonnes and increase world output by some 20 to 25 per cent.

With its inexpensive production process, Hydro is hoping to meet a large part of the estimated 4.5 per cent annual growth in the 230,000 tonne world magnesium market.

Restructuring moves have been made in ferro-alloys, and more are on the way. Elkem, the country's largest metals concern, has emerged as the dominant producer following its acquisition early this year of Orkla Metal and Bjolvefossen.

This halved the number of Norwegian ferro-alloys exporters to two (the other is the Fesil group) with an annual capacity of 720,000 tonnes. It is also expected to lead to substantial cost savings on production, distribution and marketing, for example.

The group is also in advanced discussions with Tinfos Jernverk on a marketing co-operation agreement.

Elkem, which directly owns or has significant shareholdings in some 30 plants around the world, is one of the biggest suppliers of metallurgical technology and smelting equipment. It has also completed a restructuring intended to bring it more into higher value-added, refined products such as microsilica and gallium. It already supplies material for about half the world's silicon chips.

In 1978 the group started to move gradually out of the steel business, where it sold its last facilities to the state last summer, and copper and zinc mining operations. Only one steel producer remains, the state-owned Norsk Jernverk, with an annual capacity of 1.35bn tonnes. Nonetheless, Elkem's pre-tax profits last year halved to NKr 280m on annual sales of NKr 3.4bn in deteriorating markets.

The Norwegian metals industry can be characterised by an attempt to find new products to counteract increasing competition, weaker markets and fluctuating prices for aluminium, silicon and ferro-alloys.

With cheap electricity at the core of the industry's continuing profitability, the industry has been sharply critical of government tax changes which have increased the price of energy on long-term contracts. But some observers say this has forced the industry to upgrade and cut costs.

Given the relatively low electricity prices, the industry and government have reacted angrily to investigations by the EEC into charges by some producers that Norway has been dumping aluminium, ferro-silicon and silicon carbide.

"We have remained profitable because we are one of the cheapest producers in Europe," says Mr Andreas Krogh of the Industry Federation. "We can hardly be expected to surrender this advantage."

David Brown

Explosive raider digests its gains

Dyno Industrier is about to become one of the world's leading explosives manufacturers

THE Norwegian businessman's liking for corporate raiding overseas is about to turn one of its leading industrial enterprises into possibly the world's largest manufacturer of explosives.

Dyno Industrier began producing dynamite in 1986 under licence from Alfred Nobel patents. Today, the company is the owner or part owner of production companies in 19 countries, and 60 per cent of its 1985 revenues of NKr 3,442m came from international markets. Profit before year-end adjustment was NKr 231m.

In addition to explosives, which account for 40 per cent of gross operating income, the group produces chemical raw materials and intermediates as well as plastic products. Dyno also has an offshore services group and is a distributor of construction machinery.

Norsk Hydro, the giant Norwegian conglomerate, raised its equity holding in Dyno to 50.5 per cent last July. As part of the deal Dyno took over Hydro's explosive operations.

When the company's takeover of Sweden's Nitro Nobel is implemented next January, Dyno's explosives group will have become one of the world's largest explosives makers, with only ICI possibly being bigger, if its world-wide affiliates are taken into acount.

The company will have effectively completed its main overseas expansion programme. "We will have our hands full digesting this enormous expansion," says Mr Ragnar Halvorsen, president and chief executive.

Last year Dyno's subsidiary Ireco acquired the commercial explosives operations of the American chemical company Hercules. Today Mr Halvorsen stresses that in the explosives field in future "there may be small purchases, or some joint ventures may take place, but the company has no other major acquisitions in mind."

Though military explosives constitute only about 5 per cent of the total activity of this sector, major increases in the sales of defence products in recent years contributed substantially to the profits. An important element was the development of a new military high explosive in co-operation with other Nato suppliers.

If consolidation is the mood in the explosives group, this is certainly not the case for Dyno's chemicals group which specialises in adhesives. Though already providing 30 per cent of Dyno's gross operating income, Mr Halvorsen says he has further expansion in mind.

Dyno has a strong position in the Norwegian and Swedish markets. It also has joint ventures in chipboard manufacturing in Denmark and Finland, and more recently it bought a small plant in Rotterdam.

The company also has joint ventures in Pakistan, Singapore and Sumatra, and is building a factory in Australia. These parts of the world will not be ignored in the coming years as the chemicals group expands in line with the pattern of the explosives group, buying companies overseas to obtain a major, and if possible dominant, position in each market.

The plastic processing group, with a 14 per cent share of gross operating income is set on expanding its product lines in the plastics field and strengthening the products in the technical sector, according to Mr Halvorsen. More than 60 per cent of sales of the plastics division derive from exports to other Scandinavian countries and to the UK.

However, as the company's agricultural sprays are exported all over the world, Mr Halvorsen says he can see this access "helping us to make small bridgeheads overseas for other products."

Dyno also has a construction machinery group which accounts for 12.7 per cent of gross operating income. Some 80 per cent of its revenue comes from the dealership for Caterpillar Tractor. Though this is not in the mainstream of the company's activities, it is profitable, with income of NKr 436m last year and an operating profit of NKr 23m. There are no plans to tamper with it, according to Mr Halvorsen.

Ragnar Halvorsen, Dyno president

This cannot be said for the offshore group, which accounts for only 3.5 per cent of gross operating income. With the fall in the oil price it is unlikely to improve its position. In the immediate future there will be a concentration on cutting expenses, at a later date there is a strong likelihood that it will be disposed of.

David Lennon

Shipping

Move into rougher waters

"THE MARITIME offshore industry has been the only really profitable part of the shipping sector for the past ten years . . . it is the basis for profitable and viable operation," says Mr Rolf Saether, deputy director - general of the Norwegian Shipowners' association.

"Now, there is every reason to believe that a considerable part of the Norwegian offshore industry will be severely hit by falling oil prices," he says.

Falling oil prices have prompted oil companies to slash exploration and development budgets, hitting hard at owners and operators of offshore rigs and supply vessels.

For many companies, a decline in the offshore market is serious news indeed, since it was precisely this sector which rescued the high-cost Norwegian maritime industry from the worst of the ravages on the world shipping markets over the past decade.

"The offshore industry put off the day of reckoning," says Mr Saether. "Now we can see we can't live on the North Sea alone. We have to adapt, which could be a very difficult process."

At Wilh. Wilhelmsen, one of Norway's biggest and oldest shipping companies, highly capital-intensive offshore rigs are currently generating nearly 60 per cent of total earnings.

But the group could face a situation where at least half its 8mtg fleet could be laid up by the end of next year, and the remainder working at rates that do not even cover operating costs.

Mr Ivar Leovald, the managing director, concedes: "We are moving into a very difficult period indeed," but emphasises "we think the market will normalise and we certainly have no worry about our ability to survive."

The situation is possibly more serious on the supply vessels side, where even before oil prices started downwards, massive oversupply and weak rates led to one of the biggest ever Norwegian shipping bankruptcies in the P. Augusten group last autumn.

"We were not very optimistic before the drop, and now the situation is of course much worse. We are in fact very worried about it," says Mr Westye Holter Sorensen, chairman of the Offshore Supply Vessel Owner's Group. "It's not unlikely that you will soon see companies in this sector start to disappear."

According to many observers, the situation is not likely to improve significantly in the medium term.

"The decision to curb exploration budgets in oil companies can be taken in hours or days but the decisions to start again is a long process," says Mr Hans Gram, president of the Platou ship brokerage house.

"Whatever happens to the oil price, the damage has already been done to the exploration business for the next few years."

The implications vary from company to company — depending on the extent to which they can replace offshore business with other profitable operations.

"It will only be possible for some of the companies to make up for the loss in offshore in other fields," says Mr Saether, "certainly the small companies specialised in offshore will be in trouble."

In the traditional shipping business, Norwegian owners have carved out several interesting specialised niches which have proved profitable. The country accounts for roughly 10 per cent of the world market in car carriers, for example.

It also boasts some of the world's largest cruise ship operators including Kloster Line, Royal Caribbean Cruise Line and Norwegian Caribbean Line.

Moreover, "there is considerable evidence that the tanker market may enjoy some benefit from a certain increase in demand caused by the falling oil prices," says Mr Hans Glam of Platou.

"It is not unlikely that we shall see a fairly busy tanker market through 1986 . . . but it is very difficult to see that this will spill over into any of the other markets," he cautions.

A number of major companies have sought to make up for weak markets by forging links with other European carriers, such as Wilh. Wilhelmsen's co-operation with Barber Blue Sea and Scandutch.

"The companies which have been able to internationalise their affairs through joint ventures have been among the most successful," Mr Saether notes.

The overall profitability in Norwegian shipping has been weak, however. In 1985, according to the Shipowners Association, the shipping companies made a net loss of NKr 1.5bn.

More important, perhaps, has been the drop in the Norwegian-owned fleet, down by 147 vessels and 10.7m dwt last year. Of these, 58 ships of 2.4m tonnes were sold to Norwegian owners abroad, and 78 ships of 6.4m tonnes sold to foreign owners.

In 1974, the Norwegian-owned fleet consisted of 1,228 vessels totalling 39m dwt. By the end of last year, this figure was down to 667 vessels and 16.9m dwt, of which 349 ships of 9.5m tonnes were under foreign flags.

"Since last summer in tonnage terms we have lost nearly flag registries," says Mr Rolf Saether of the association.

The association has called for swift action on the part of the government, including the right to either freely register Norwegian-owned ships under foreign flags, and the more controversial proposal that they be allowed to hire less expensive foreign crews.

In a White Paper tabled last month, the government acceded to both these requests. It has also proposed to study the possibility of setting up an internatoinal Norwegian registry, under which shipowners could register vessels roughly on the same tax and other terms as offered by Liberia and Panama.

"The liberalisation the administration has proposed," says the association's director-general, Mr Peter Smedvig, "may allow much of the fleet to remain under the ownership and control of Norwegian shippers. Without such a move, these vessels would have been lost and many shipowners ceased to exist."

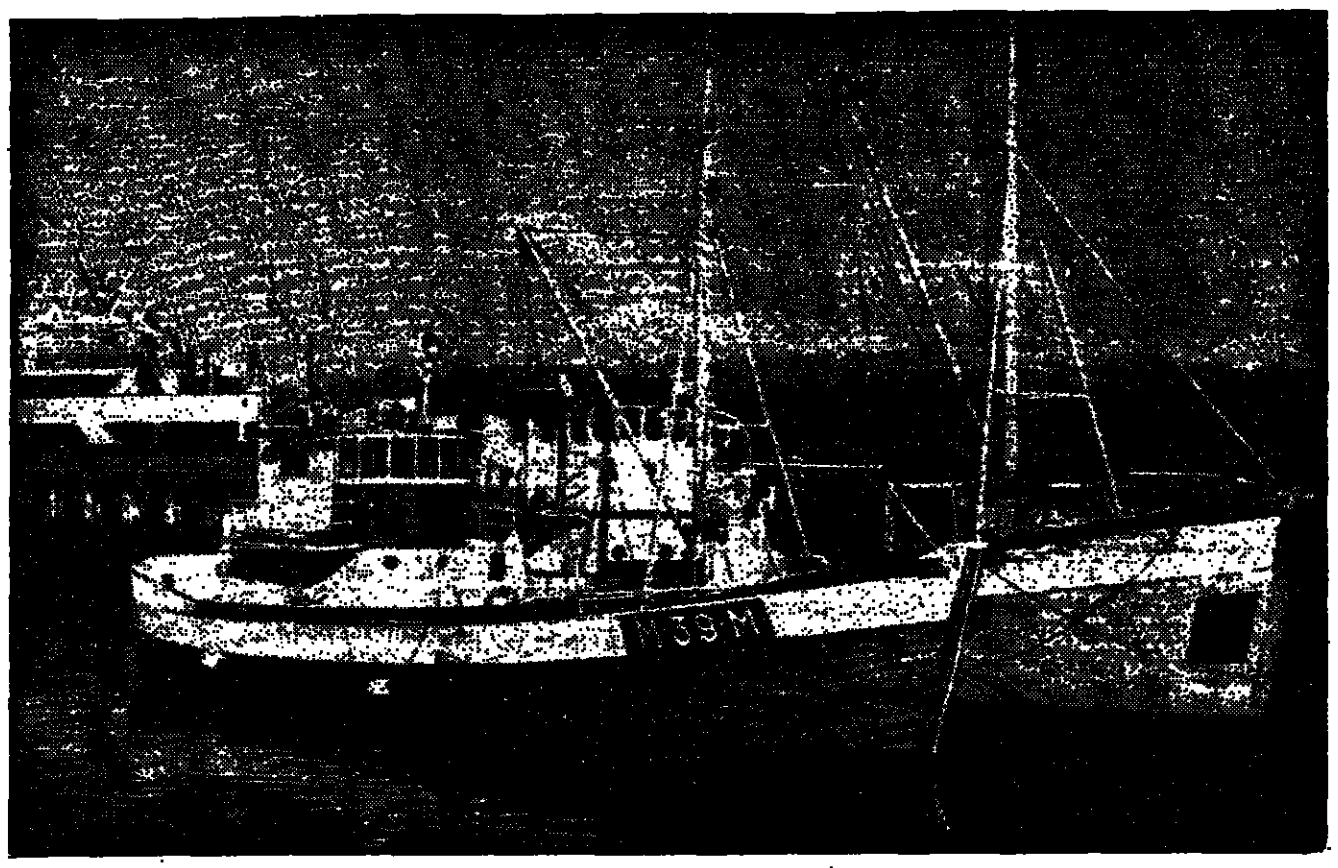
Although Norway is now entering what Mr Saether calls "a watershed" period, the country benefits from its strong maritime tradition and continuing international expertise.

Moreover, the breathing space provided by the offshore boom, which allowed the industry's gross revenues to remain unchanged during the global downturn, left a number of Norwegian companies in better competitive position than many of its international rivals.

"The offshore sector allowed many companies to survive, and those who are still on the market and want to stay now have a financial strength which our competitors don't have," says Platou's Mr Gram: "this is an advantage in a difficult period."

David Brown

NORWAY 8



Small vessels are being taken out of service to match capacity with resources

Fishing

Income rise on smaller catch

THE VIKINGS long ago abandoned plunder and pillage as a source of income, but the sea still plays an important role in the economic life of Norway.

The 20,000 km coastline, with its safe natural shelter in the deep fjords no longer harbours Norse longboats destined to strike terror into northern Europe. But the boats still set out in pursuit of fish.

Fish exports account for 13 per cent of all exports, excluding oil, gas and ships. Norway is the world's sixth or seventh largest producer of fish, accounting for nearly four per cent of the world's catch.

The value of Norway's catch rose by more than NKr 20m last year to NKr 4.2bn, in spite of a 400,000 tonne decline from 1984 to 2.1m tonnes. Some 90 per cent is exported. The main reason for the volume decline was the one-third fall in landings of Capelin, a small fish used mainly for oil and meal, which had been hit by overfishing of the Barents Sea.

Landings of cod were also down on previous years, but the value of the catch rose by NKr 1bn to a record NKr 2.2bn, more than half the value of the total catch.

Herring staged a good recovery after the disastrous overfishing in the 1960s and 1970s and the subsequent total ban on herring fishing, which was only lifted early this decade. The catch rose last year by 80,000 tonnes to reach 230,000 tonnes. Under the agreement with the EEC for 1986 quotas, Norway will be allowed to increase its lift from the North Sea to 200,000 tonnes.

There has been intensive development of fish farming, mainly of Atlantic salmon and to a lesser extent of trout, since the early 1970s and it has become an important part of the fisheries industry. The Government controls the industry through the granting of licences. So far 600 have been issued and another 150 are due to be allocated this year among 3,000 applicants. In addition there are 260 hatcheries and smolting plants.

It is the aim of Norwegian authorities to make fish farming a growth sector along the whole coast for as many local communities as possible. This leaves little room for large industrial plants, especially as the distribution of licences is heavily weighted in favour of regional diffusion, and the Government insists that the facilities should be owned and operated by the same person.

Production of salmon and trout has risen from 7,500 tonnes in 1980 to 33,800 tonnes in 1985 and it should climb to about 70,000 tonnes in 1988. The value of production in 1985 was NKr 1.4bn.

More than 25,000 tonnes worth NKr 1.7bn was exported last year. The EEC is the largest market and the US the biggest single customer. For distant markets like the US and Japan, where interest is growing rapidly, fish are air freighted in refrigerated containers.

EEC import duties on fish products of 13 per cent, compared with 2 per cent on fresh fish, means that Norwegian trade is mainly in raw materials or products with little value-added. Mr Finn Bergesen, secretary-general of the Norwegian Fishermen's Association, says Oslo wants to renegotiate the fisheries annex to the 1973 agreement with the EEC to reduce these duties.

In the meantime, one of the ways which the Norwegians may respond to this restriction is by establishing smoking plants in Europe, which the Government favours as part of its advocacy of the internationalisation of Norwegian industry. Stabburet Marine Products is planning to do this in West Berlin, according to Mr Odd Steinsbo, director of the Fish Farmers' Sales Organisation.

The fishing fleet, and the fishmeal industry are too large in relation to the raw material basis because of the depletion of stocks in the Barents Sea. The authorities have therefore implemented measures to bring capacity more in line with resources. One of the most significant is the creation of condemnation subsidy schemes for the purse seine fleet and the trawler, seal and whaling fleets. In the past two years more than 500 of the 5,000 plus small vessel fleet have been taken out of service, according to Mr Finn Bergesen.

"The goal is to build safer and more efficient vessels which we hope will be utilised year round through the use of two crews," he explains. But even though these vessels will be more costly than the older boats being taken out of service, it is still the intention to keep them under individual rather than corporate ownership.

Though the annual catch is expected to remain at the 2m to 3m tonne level of the past decade, its value is expected to continue rising with the opening of new markets and the landing of more valuable items such as shrimp and prawn.

Mr Bergesen is particularly excited by what he sees as "the limitless prospects in the Japanese market," which is the target of a promotional drive called Seafood from Norway. Sales of NKr 417m were achieved there last year, and it is planned to double this figure within three years.

Greenpeace is far from being a popular organisation within the Norwegian fishing industry. Its work to protect the whales has forced a sharp reduction in the number caught by the Norwegian fleet, which has been cut from 80 to 55 vessels in two years.

The pressure from the International Whaling Commission has forced Norway to agree to reduce its catch from 1,790 whales in 1980 to only 400 this year. Even with rising prices, this means that income will drop from NKr 35m in 1985 to possibly as little as NKr 25m this year.

The declining importance of the catch, except for its impact on a small number of villages already suffering from the curbs on whaling, may make it difficult for Oslo to resist the new pressure from the US to end this traditional pursuit.

Norway has less than 60 days to either agree to halt whaling, or face a partial or total ban on fish exports to the US, an increasingly important market. US trade sanctions which have been hanging fire for years may be implemented as Washington this month invoked a neglected trade amendment to press home the International Whaling Commission's demand for a moratorium while stocks are rebuilt.

David Lennon

Forest Products

Owners cutting fewer trees

THE ABSENCE of a sufficient profit motive meant that Norwegian forestry owners reduced the number of trees they felled last year, causing serious supply and cost problems for the nation's sawmills and paper and pulp plants.

In spite of this, and depressed prices in the world paper and pulp markets, the country's forestry products industry managed to raise profits. This year they believe the outlook is even brighter, to some extent aided by the recent devaluation of the kroner. About 50 per cent of the productive surface of Norway's 386,975 sq km land area, or double the size of Belgium, is covered in forests. This comprises 80 per cent coniferous and 20 per cent deciduous forests. Two thirds of the forest area is owned and operated by farmers who are also engaged in agriculture.

The export value of forest industrial products at present varies between NKr 4m and NKr 4.5m, equivalent to 7 to 8 per cent of the country's total export of commodities.

The most important customer of the forest sector is the sawmill industry, which is characterised by small and medium sized units. Some 4m cu metres of cut roundwood, equivalent to 50 to 60 per cent of total cut wood, is purchased by the country's 380 sawmills which produced about 2.3m cu metres of sawn wood with a value of NKr 4bn in 1985. Another 1m cu metres in chips and sawdust is sold to the pulp and paper industry.

The industry passed through a period of concentration in the past decade, with more than 100 saw and planing mills closing down. However, increased automation has enabled the slimmed down industry to increase production by 15 per cent while turnover has tripled.

Most of the materials produced by the sawmills are intended for house building and house fittings. Some 80 per cent of all sawn timber devoted to construction, according to Mr Alf Skeppstedt, director of the Norwegian Sawmill Industries Association.

Foreign sales of sawn and planed timber increased by almost 85 per cent between 1981 and 1984 following the slump which hit the industry at the beginning of the decade. However, last year saw a drastic fall in exports from 456,000 cu metres in 1984 to 309,000 in 1985. Britain is the main market followed closely by West Germany. They account for two thirds of foreign sales.

The drop in exports resulted, at least partly, from a sharply reduced supply of logs because of the reduced cutting of trees and increased purchases by the pulp and paper sector. This led to under-utilisation of sawmill capacities, in spite of a 30 per cent increase in roundwood imports to 590,000 cu metres. These imports were necessary to enable the mills to cover domestic demand and meet already signed export contracts.

Mr Skeppsted says attempts to sell timber houses overseas have not been successful, and these have been virtually abandoned. "There is the problem of the different lifestyle in countries which require different types of houses. In addition there is the problem of finding carpenters skilled in this work and the purchasers unfamiliarity with the maintenance, such as painting.

"Today we prefer to sell the timber and let the recipient countries work on the houses," he explains.

The wood processing industry has 10,000 workers in 35 mills producing pulp, cellulose, paper, paperboard and cardboard and exports 80 per cent of its roduction. Paper and paperboard are the most important export items.

Output last year of more than 1.6m tonnes of paper and board showed a 2.7 per cent increase, following a 14 per cent rise in 1984. Chemical pulp production remained at the 443,000 level of the previous year, while mechanical pulp production rose 12 per cent to 229,000 tonnes.

The steady rise in capacity in most of the world's producing areas and the sharpening export competition led to static or falling world prices last year. But Norway's turnover in 1985 topped NKr 7bn for the first time, including NKr6.2bn in foreign sals. Almost 72 per cent was paper and board, more than 20 per cent chemical pulp, and just under 7 per cent mechanical pulp.

Officials at the Norwegian Pulp and Paper Association believe that market conditions at the end of last year indicate a lower volume of production should be anticipated in the world paper and board industry for 1986.

The wooden interior of a house at Drammen, Norway

The EEC is Norway's largest market for paper and board, with the UK and West Germany the major customers, as they are for sawn wood. Total exports to the Community totalled 800,000 tonnes, worth more than NKr 2.7bn. With the accession of Spain and Portugal this year, the Community will account for 64 per cent of pulp and paper exports.

The Americas were the next most important export market, taking 134,000 tonnes last year.

The recent devaluation of the kroner should have been expected to boost the industry's exports, but Mr Harald Ramm, of the Pulp and Paper Association, has considerable doubts. "Norway has no spare capacity for paper and pulp production and the labour market is very tight, so it will not be able to derive much more than marginal benefit," he says.

Mr Ramm is very optimistic about the industry's future. "The confidence of the industry is reflected in the fact that investment is rising again and over the next four years NKr 3bn will be spent on further modernisation," he says.

Both the sawmill and the pulp and paper industries complain about the shortage of domestic raw material supplies. Timber cut in Norwegian forests declined from more than 9m cu metres in 1983/84 to about 8.1m cu metres in 1984-85. Provisional figures for 1985/86 indicate that the cut may increase.

Under-utilisation of the country's forests is recognised by the Forest Owners Federation. Mr Knut Herefoss, a federation official, says: "The forest owners do not make enough profit from the wood and do not want to increase felling."

To stimulate the harvest of timber, the state gives subsidies to cuttings in steep and difficult terrain, where the cost of operation is high compared to the log prices. The state also subsidises the construction of forest roads and to planting and silviculture. But this amounts to a subsidy of less than 10 per cent overall, much lower than the subsidies which make alternative farming of products such as dairy and meat more attractive.

David Lennon

CREDITS AND EURONOTES

EdF gamble pays off as loan is lifted to $800m

THE GAMBLE that Electricité de France (EdF) took when it launched a $600m loan facility on record low commitment fees three weeks ago appears to have paid off. The deal is to be increased to $800m, writes Peter Montagnon in London.

Although this is lower than the $1bn originally mooted when EdF first started talking to its bankers about the loan project, the amount could have gone even slightly higher had not the French Treasury asked the borrower to hold it back.

The increase has been achieved despite a traditional requirement by the authorities in Paris that loan facilities for French state borrowers do not involve a participation rate of more than 50 per cent for French and Japanese banks.

All this suggests that *its* is now possible for a top-rated sovereign borrower to contemplate the launch of a large facility on the basis of an annual commitment fee of less than 5 basis points, previously regarded as the benchmark low. EdF's deal bears a 4-point fee for the first three years, rising to 5 thereafter.

Attention is now focusing on the reaction of Ireland which has been watching closely the progress of the EdF deal while it considers the launch of a loan facility of its own.

EdF's result is not without its detractors in the market, however. It has been hard for EdF to get away from the impression left with many bankers that it really wanted to raise $1bn, a target now officially disclaimed but one which it has failed to meet.

Most bankers reckon that to launch a deal of that size on the terms EdF offered would still have been a recipe for disappointment in a market where participants are increasingly worried about dwindling returns.

Although top-rated corporations which offer ancillary business in, for example, foreign exchange can clearly command very low commitment fees, this should not lead sovereign credits to assume that they can also do so for unlimited amounts, they argue.

On the other hand, borrowers themselves are likely to consider EdF's result as perfectly respectable. The best ones can now be expected to push for similar terms and, given the competitive pressures of the marketplace, some banks at least will find that hard to resist.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	1,959.6	3.9	1,137.1	2,344.7
Prev	2,898.3	50.8	2,515.3	1,729.5
Other	1,572.0	0.0	196.7	199.2
Prev	538.6	–	112.8	229.1
Secondary Market				
US$	20,340.8	1,235.4	13,803.6	4,864.5
Prev	21,039.9	1,167.7	13,085.7	3,881.7
Other	–	–	–	–
Prev	10,578.3	132.9	2,882.7	3,083.5

	Cedel	Euroclear	Total
US$	13,115.4	32,552.3	45,667.7
Prev	12,707.0	33,637.0	46,344.0
Other	8,533.9	9,394.0	17,927.9
Prev	8,780.1	8,776.8	17,556.9

Week to June 19 1986 — *Source: AIBD*

Lloyds Merchant Bank has meanwhile been mandated by Moscow Narodny to arrange a $100m facility incorporating an option to issue Euronotes as well as to raise cash in the form of short-term bank advances.

The bank is the first Soviet-owned organisation to move into the short-term Eurosecurities field in this way, and this has raised speculation that the main Soviet international borrower, its Foreign Trade Bank, may be preparing to follow suit.

By and large, East European borrowers have shunned this form of borrowing because they fear the need for a constant presence in the marketplace could leave them vulnerable to a shortfall of cash in the event of any sudden deterioration in the East-West political climate.

Only Hungary has tapped the Euronote market, and although the Soviet Foreign Trade Bank has done a bankers' acceptance facility in the US, this was for the specific purpose of financing grain purchases as well as to encourage US lenders.

In the wake of falling oil prices and the Chernobyl disaster, the Soviet Union has been expected to step up its already rather prodigious borrowing, most of which has been arranged through medium-sized credits, often targeted to specific nationalities of banks.

Now the time seems ripe for some diversification, and if the Moscow Narodny deal goes well, the Foreign Trade Bank is thought likely to try something similar.

The deal carries a six-year maturity although banks can opt out after four years and the annual facility fee is 10 basis points. Drawings under the accompanying standby credit bear interest at a margin of 5 basis points over Libor plus a utilisation fee of up to 15 points depending how much is drawn.

Among other new deals, Westpac Banking Corporation is due to launch shortly a $150m, five-year facility for ICI Australia which will also include an option for the borrower to raise money in the form of Australian dollar promissory notes.

Westpac has also been jointly mandated with Hambros to arrange a $125m facility for Ansett, the Australian airline, which will go towards the financing of the purchase of 12 Boeing 737 aircraft.

Finland's Okobank announced a $150m Eurocommercial paper and certificate-of-deposit programme arranged by Morgan Stanley for which Citicorp and Swiss Bank Corporation will also act as dealers.

S.G. Warburg is launching a £75m facility for another Finnish borrower, Finnish Paper Mills Association. This allows for the sale of bankers acceptances through a tender panel.

Adelaide Steamship has appointed Citicorp as sole dealer in a $75m Eurocommercial paper programme while James Hardie Industries of Australia is launching a $75m facility through S. G. Warburg providing for the sale of bankers acceptances in UK and US currency.

Federal regulators close 5 Louisiana S&L associations

BY WILLIAM HALL IN NEW YORK

US federal regulators have closed down five savings and loans associations in Louisiana and transferred their combined assets of $564m to a newly-created savings bank set up to take over the assets of another failed institution.

The move nearly doubles the number of savings banks closed by federal regulators so far this year and underlines the serious financial strains that are being put on the Federal Savings and Loan Insurance Corporation (FSLIC), the agency which protects small depositors from loss when a savings bank closes its doors. Federal regulators have estimated that the latest action will cost the deposit insurance agency more than $280m.

Four of the Louisiana institutions closed by the regulators were federally chartered in or near New Orleans, Audubon Federal with assets of $223m, New Orleans Federal with assets of $115m, North Lake Federal with assets of $100m, and Crescent Federal with assets of $87m. The fifth institution was a state-chartered, federally-insured savings bank in Baton Rouge, Community Savings and Loan. The assets of all five institutions have been transferred to Horizon Federal Savings and Loan which was set up earlier this year and is managed for the federal regulators by the $1.3bn strong Dixie Savings and Loan.

Louise Kehoe in San Francisco adds: Five struggling Californian savings and loan associations were put up for sale by federal regulators last week. Banks and thrift associations from around the US were invited to bid for the five S&Ls, all of which have been taken over by federal regulators

The FSLIC and the Federal Home Loan Bank are willing to pay bidders to take over the financially troubled institutions.

For sale are Bell Savings and Eureka Federal Savings of northern California, Beverley Hills Savings and Southern California Savings, both based in Beverley Hills, and Central Savings of San Diego.

Quality names become target for asset swaps

IN AN INCREASINGLY sick fixed-rate Eurobond market, forsaken by the retail investor, underwriters have at least the comfort of one growth industry: the asset swap market, writes Clare Pearson in London.

Underwriters operate this by allowing primary market paper to drift until yields have widened out to the point where bonds can be swapped into floating-rate instruments and onsold to banks, hungry for quality assets. Such banks have seen yields on floating-rate notes (FRNs) pared to sub-Libor levels in some cases, whereas substantial margins over Libor can be obtained on transformed fixed-rate deals.

The amount of paper in the market in the hands of arbitrage accounts is unknown, but bankers think it is significantly on the increase. One even said that the market was "being cannabalised."

The synthetic swap has long been the fate of low-quality names and of deals that are difficult to trade, such as bonds originally with warrants attached. Many "ex-warrant" bonds for Japanese companies have traditionally found homes in this way.

The difference now seems to be that bonds for better-quality names in the market are being asset-swapped and very rapidly after issue.

GTE's three-year bond was launched in midweek at a yield margin of 88 basis points over US Treasury bonds. By Friday the margin had widened to 120 basis points, a point at which a swapped floating rate could have been arranged. Other issues, even for high-quality names such as GMAC, were heading towards appropriate levels by the end of the week.

With yields on quality paper widening out so fast, the case for the customised issue is growing. Morgan Stanley issued a five-year deal for Hudson's Bay, the Canadian retailer that has reported a loss for the past two years, at a margin of 240 basis points over US Treasury bond yields. The $60m deal was rapidly locked away in banking quarters.

The stream of new fixed-rate offerings is likely to continue ahead of the end of this month, as first half lead-management league tables prey on the minds of the big issuing houses.

With banks's appetites for floating rate assets a major driving force in the market at the moment, the week saw further new FRN issues for prestigious borrowers. The Bank of China finally came to the market with a $200m FRN in which three British banks – Barclays, Standard Chartered, and Kleinwort Benson – participated through overseas subsidiaries.

Two UK building societies, Britannia and Nationwide, re-centered the sterling FRN market. Other building societies are likely to seek wholesale funds in this way soon.

The building societies say that their returns from the retail sector have fallen recently, as some investors have switched to National Savings accounts, where rates of interest have not fallen with base rate cuts.

The Nationwide's deal, for £250m, was the largest amount issued at one time by a building society. Some dealers felt it would prove too much, coming hot on the heels of £200m financing for Abbey National. This was especially as it was more tightly priced than the Abbey deal, with an all-in cost of funds of 12.1 basis points over three-month Libor, as opposed to 13.9.

These factors were not affecting its trading performance on Friday, however, as the bond was quoted within fees.

One market which does not seem able to absorb a flood of new paper is the European retail investor-based Australian dollar market. Orion Royal Bank caused some commotion in Australian dollar bond trading circles last week by issuing a A$75m bond, with a further A$100m on tap, for Commonwealth Bank of Australia.

The issue is interchangeable with an outstanding $125m deal for the borrower. With A$200m now in the market, and the possibility of a further A$100m, the scope for price appreciation seems limited. The existing bond lost two points in price immediately after the announcement of the issue.

Among other high-yielding sectors, the Canadian dollar market is looking the least unhealthy, underpinned by attractive returns relative to US dollar rates and a reasonably steady currency. Two Canadian trust companies tapped this sector last week, with a 10 per cent, five-year deal for Canada Trustco faring far more successfully than a 9¾ per cent bond for Royal Trustco of the same maturity.

The D-Mark and Ecu sectors began the week in optimistic mood, taking their cue from the rally in New York. This enabled successful financings to be carried out for the European Investment Bank in D-Marks, and the EEC in Ecus. This bond was quoted on the bid side at a discount to issue price of ¾ per cent.

Later in the week, however, both markets lost impetus, with screen prices on many deals disappearing. In this environment, Deutsche Bank ventured to launch a deal for McDermott, the US oil drilling company, which met with disfavour.

With interest rates seemingly on the rise in Switzerland, both on short-term instruments and medium term notes, the Swiss franc market traded thinly last week.

AEG orders increase by 16% in five months

BY LESLIE COLITT IN BERLIN

AEG, the West German electricals group in which Daimler-Benz now has a 56 per cent stake, has reported sales of DM 3.9bn ($1.74bn) in the first five months, which it said were slightly down because of currency factors.

Mr Heinz Dürr, chief executive, told a shareholders' meeting that orders had jumped 16 per cent in the same period to DM 5.2bn. However, this fast pace was likely to slacken in the course of the year.

He said the company expected to boost turnover this year above last year's volume of DM 10.8bn which was down 2 per cent on 1984. While giving no estimates, he said profits would be ploughed back into the company, which meant that again a dividend might not be paid.

AEG, which was nearly bankrupt in the early 1980s, had operating profits last year of close to DM 100m.

Industry officials said Mr Dürr would shortly be appointed to the Daimler-Benz executive board along with the chief executives of the two other companies – MTU and Dornier – taken over by Daimler.

AEG also reaffirmed that the company would not sacrifice its household appliance division – which accounts for 15 per cent of sales – in the Daimler takeover.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Fed set to resist pressure for easing

US GOVERNMENT bond prices rallied at the close last week, although the price movement was overshadowed by the antics of the "triple witched" equity markets.

It was another volatile week for bonds, with sentiment driven mostly by the latest domestic US economic numbers and by shifting hopes for an early easing by the Federal Reserve. The credit markets rallied early in the week as further poor economic data for May, including weak capacity utilisation, was revealed — only to reverse direction again on superficially more positive economic news.

As a result, US monetary policy is currently viewed as being in another holding pattern. The Fed is clearly under growing pressure from the Administration to ease further, but, as Dr Henry Kaufman of Salomon Brothers notes "The Federal Reserve will wait until July when it will have additional data on the economy, and when Fed chairman Volcker will report to Congress," before taking the next step.

The US economy — currently the central focus of Fed and market attentions — shows little sign of meaningful improvement. By common agreement the 0.9 per cent increase in May consumption is unsustainable since consumers are unlikely to lift spending sufficiently to offset the slack in other sectors of the economy.

Nevertheless the credit markets have other lingering doubts. Among these are the sharp spurt in M1, the basic money supply measure—evidenced again last week by the $3.7bn increase.

Such concerns are probably overblown. Growth in M1 is likely to subside over the next few weeks and the policy-making Federal Open Market Committee meeting on July 8 is likely both to rebase the aggregate and raise its target growth range perhaps to between 5 per cent and 10 per cent.

"M1 has become a dangerous guide to policy and a misleading proxy for the economy and inflation," says Mr Philip Braverman of Irving Securities. "By using the second quarter as a starting point for M1 growth targets, the second quarter rise would become largely history."

Such sleight of hand would be justified on the basis that recent rapid M1 growth is a reflection not of problems ahead but rather a response to recent rate declines "and the need for increased precautionary liquidity."

While the US credit markets appear half persuaded by such arguments, they are less sure about a number of other factors including foreign investors' continued demand for dollar denominated securities.

The recent renewed decline in the dollar coupled with end-quarter portfolio pressures has led to some Japanese portfolio selling. But most senior Wall Street economists remain convinced that such concerns are also overblown.

Crucially they assume that despite the apparent reluctance of Japan and West Germany to lower interest rates and adopt more stimulative economic policies, this too will pass. "Economic developments abroad will eventually force foreign central banks to move interest rates lower," says Dr Kaufman.

Some, like Mr Braverman, believe that the combination of a global weak economy, continued subdued inflation and political pressure will add up eventually to "significantly" lower rates ahead—perhaps including a co-ordinated rate cut next month which would bring the Treasury long bond yield down to below 7 per cent—and make even a second discount rate cut before year-end.

Overall US bond prices closed slightly higher last week with the largest gains registered in the government markets.

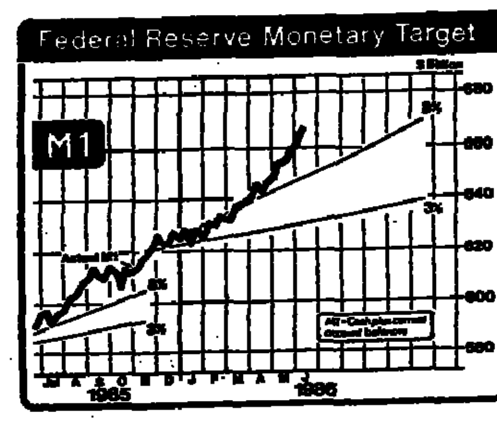
Last week the Treasury announced the auction of $7.25bn of four-year notes and $7bn of seven-year paper on June 24 and June 25 respectively. The volumes were slightly below Wall Street expectations.

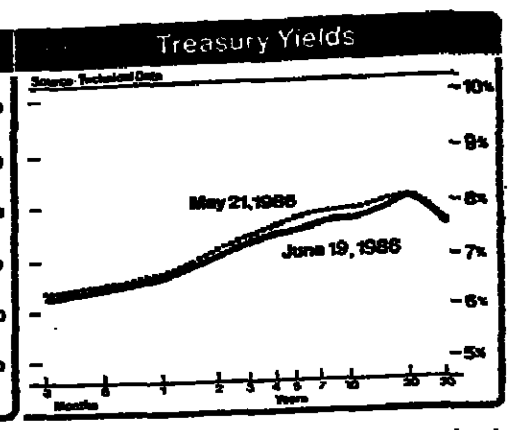
Significantly, the Treasury yield curve out to five years has flattened markedly in recent weeks as short-term rates have remained relatively unchanged while Treasury prices have improved.

In the corporate markets bond prices were unchanged to slightly lower last week as the heavy deluge of new issues, dominated by long-term bonds, continued.

New issues of straight debt totalled almost $3bn last week —and set a new annual record. Securities Data, an independent market watcher, noted that corporations have issued over $105bn of debt so far this year, surpassing the total issued in the whole of last year. Securities Data and others attributed the explosion in corporate debt issuance this year to lower interest rates, the globalisation of the capital markets and the "shelf" Rule 415 which has enabled corporate treasurers to bring debt issues to market at a moment's notice.

Paul Taylor





UK GILTS

Bank brings relief with £600m stock

THE ARRIVAL of the Bank of England on Friday afternoon with £600m of stock to sell was greeted with relief by the UK gilts market after a patchy week. Unable to match the steady advance of the equity market throughout the week, gilts clawed back a little ground but still ended the week half-a-point to the bad at the long end.

The FT Actuaries all stocks index ended 1.87 lower on the week at 137.86. Yields on 25-year stocks rose 11 basis points to 9.48 per cent, while 15-year gilts picked up 12 points to 9.59 per cent, and five-year yields rose 15 points to 9.36 per cent. The index-linked sector followed more slowly.

Against the background of this steady downwards drift, the Government's funding exercise — as modest an operation as could have been wished for — encouraged the market in the hope that the authorities have no unpleasant news up their sleeves on Thursday, whether in the balance of payments statistics or the Bank's quarterly bulletin.

The four £150m tranches were evenly spread: 10 per cent Treasury Convertible 1990, 9 per cent Treasury Loan 1994, 9¾ per cent Exchequer 1998 and 9¾ per cent Treasury 2002. The 1994 stock is free of tax to residents abroad.

If the decision the previous week not to replace the 8 per cent Treasury 2009 tap immediately was helpful to the market, so too were these small tranches.

"Untapped markets tend to cause a feeling of fear that when the announcement comes it will be too much, in the wrong place and kill any game stone dead," said Mr George McNeill of Reserve Asset Managers.

The Government's overall funding programme for the year has given the gilts market little to worry about, with a public sector borrowing requirement (PSBR) of £7.1bn and some successful staggered stock sales at the end of the last financial year. The final £464 call on the last of these, 9 per cent Conversion 2000 A, was paid last week.

Nevertheless, the underfunding of the PSBR in the past two banking months has begun to cause some anxiety among fund managers who are already strapped for cash and looking nervously forward to the requirements of the British Gas flotation this autumn.

Last month, the PSBR was underfunded to the tune of £480m, as a bunching of gilts maturities helped the UK non-bank private sector to reduce its overall gilts holdings by £570m. And those gilts that were sold may not have done much to ease the growth of sterling M3, the Bank of England's monetary statistics indicate.

With overall external and foreign currency funding of the public sector reducing sterling M3 by £477m in banking May, Mr Glenn Davies of broker Laing & Cruickshank sees foreign purchases of gilts in the month as likely to have been close to £700m.

This appears to have been financed, however, out of overseas sterling deposits. They were drawn down by £929m in the month, thus offsetting the contractionary effect on sterling M3 of the overseas gilt purchases.

The message Mr Davies draws is a bearish one, and involves either abandoning sterling M3 altogether or stepping up domestic funding, which could be a constraint on the market with net gilt sales of £650m a month already required for the rest of the current financial year.

More bullish news for the gilts market could come on the inflation front. While it has welcomed the fall in retail price inflation to 2.8 per cent, the market has remained sceptical about how long this can be sustained once the favourable effects of mortgage rate cuts and lower petrol prices have worked through, and only the UK's underlying inflation performance remains.

The Confederation of British Industry, in its monthly trends survey published today, shows fewer manufacturers expecting to raise prices in the next four months than at any time in the past 19 years.

The London Business School's latest economic forecasts, meanwhile, show underlying consumer price inflation not simply preserving this year's gains but edging lower in the next three years—provided there is some downward adjustment to pay settlements.

George Graham

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11¾ 94	100	105	+0¼	10.73
AIDC II 89	75	106	+0¼	8.31
Alcan Australia 9½ 89	25	99⅝	+0¼	8.84
Amer Savings 12 89	125	105⅛	+0⅛	9.72
Amer Savings 12¼ 89	100	106	+0⅛	9.76
Asian Dev Bk 11¾ 93	100	114⅞	−0⅛	8.90
Australia 11⅛ 90	100	112⅛	+0⅛	7.75
Australia 11½ 95	300	116⅝	+0¼	8.78
Australia 11⅝ 98	100	118⅞	+0⅛	9.01
Austria 15½ 88	75	112	0	7.79
Avon Fin 10⅝ 92	100	103½	−0¼	9.46
Bk Nova Scotia 13⅜ 87	100	105¼	−0⅛	7.78
Bank of Tokyo 12⅞ 92	100	112⅝	+0⅛	9.34
Bank of Tokyo 13⅞ 91	100	120⅞	+0⅛	8.38
Bank of Tokyo 13⅞ 89	100	115⅝	+0⅛	8.34
BMW O/S Ents 10⅝ 91	50	107½	+0⅛	8.66
BP Capital 11⅛ 92	150	109⅝	+0¼	9.04
Br Col Hydro 11¾ 93	200	116	+0⅛	8.68
Br Col Hydro 12½ 14	200	123⅞	−0⅛	10.19
Br Col Hydro 12½ 13	250	128¼	+2⅛	9.79
Britoil Fin 11⅛ 90	125	106⅝	+0½	9.86
Caisse Nat En 11¾ 95	125	118¾	+0⅛	8.57
Canada 10⅞ 88	500	107⅛	+0½	7.42
CBS Inc 11⅛ 92	100	109⅝	+1	9.58
Centrust S & L 0 10	1.2bn	11½	+0⅛	9.68
Chesebrough 12 93	100	110	+0½	9.83
Chubu Elec Pwr 13⅜ 91	50	114	+2½	9.67
Citicorp O/S 10⅜ 90	100	102½	−0⅛	9.56
Citicorp O/S 11⅜ 90	100	104½	0	10.36
Citicorp 11⅜ 92	100	107⅜	+0⅛	9.94
Citicorp 11⅜ 97	200	106⅝	+0½	10.43
Citicorp O/S 14 94	100	100⅛	−0⅛	13.91
CNCA 11½ 92	125	112⅞	+0⅛	8.57
CNCA 13⅛ 91	100	118⅜	+1⅛	8.48
Coastfed Int 12⅛ 88	125	105	+0½	8.67
Coca-Cola 11½ 88	100	107⅜	+0⅛	7.72
Cp Fn de Paris 13⅞ 89	100	107⅞	0	10.81
Continental Grp 11½ 93	75	105⅝	+0½	10.47
Creditanstalt 13⅛ 91	100	117⅝	+0⅛	8.54
Dai-Ichi Kangyo 12⅛ 90	100	113⅞	+0⅞	8.27
Denmark 10⅞ 90	100	104⅞	+0⅛	9.26
Denmark 11½ 92	100	112⅜	+1	8.82
Denmark 12⅜ 92	250	101⅜	0	12.30
Denmark 13 91	100	117½	+0⅛	8.50
Denmark 13 92	100	101½	0	12.56
Denmark 13⅜ 91	100	119¼	+0⅛	8.75
Denmark 13⅞ 88	100	111⅜	+0⅛	7.98
Denmark 14 91	100	111⅞	+0½	10.82
Digital Equip 11⅜ 89	150	109⅝	+0⅛	8.17
Dutch St Mines 11⅛ 91	150	107⅜	−0⅛	8.41
Eksportfinans 11⅜ 92	100	112⅜	+0⅞	8.44
Eksportfinans 11½ 90	100	107⅞	+0⅛	9.20
Elec de France 11⅛ 93	100	113½	+0⅛	8.44
Elec de France 12⅜ 87	150	106⅝	+0½	7.52
EEC 11 87	350	103⅛	+0⅛	7.33
EEC 11¼ 90	100	109⅞	+1	7.86
EEC 12 93	100	118½	+1½	8.47
Elf-Aquitaine 10⅜ 88	100	105¼	+0⅛	8.48
Ericsson L M 10⅜ 88	100	103⅜	−0⅛	8.70
Euro Inv Bk 11½ 90	200	112⅜	+1⅞	8.07
Euro Inv Bk 11⅜ 91	75	108⅞	+0⅛	9.15
Euro Inv Bk 12½ 90	100	114⅛	+0⅛	8.03
EDC 9⅞ 88	200	103⅞	+1⅛	7.93
EDC 10 88	125	103⅞	+0⅛	7.49
EDC 10⅜ 88	100	104⅛	+0⅛	7.45
EDC 11½ 89	150	107⅜	+0½	7.79
EDC 12 89	100	111⅛	+0⅜	7.97
EDC 13⅛ 87	100	106⅛	0	7.45
Fed Dept Store 11 90	100	108	+0⅛	8.31
Finland 11½ 88	100	105⅞	+0⅛	7.37
Finland 12⅜ 94	75	120⅛	+1⅛	8.67
Finnish Export 12⅜ 87	75	106⅛	0	7.66
Firstfed Mich 1 13⅛ 89	125	110⅛	+1⅛	9.09
Sanwa Bank 11⅞ 92	150	111⅜	+1	9.07
Sanwa Intl 11½ 92	100	112½	+0⅝	8.72
Saskatchewan 10⅜ 92	100	110⅛	+1⅛	8.42
Saskatchewan 10⅜ 90	125	108½	+0½	8.12
Saskatchewan 11⅞ 89	100	110⅛	+0½	8.10
Saskatchewan 16 92	150	128⅝	+1⅛	8.77
Saskatchewan 16 89	125	118½	+0⅛	8.14
Scot Intl Fin 10⅜ 90	50	105⅞	+0½	8.87
Sears O/S Fin 0 98	500	34⅜	+0⅛	9.16
Sears Roebuck 10½ 91	150	106⅞	+0⅛	9.00
Sears Roebuck 11⅜ 91	150	111⅜	+1	8.42
Sec Pacific 12 92	100	114⅝	+1⅛	8.62
Shearson/Amex 12⅜ 94	100	114⅜	+1	9.34
Shell (Canada) 14⅜ 92	125	113½	0	11.12
Signal Comps 11⅜ 92	125	108⅞	+0⅛	9.62
Standard Oil 10½ 88	150	102⅜	−0⅛	9.19
Statoil 12 88	100	107⅛	+0½	7.55
Sumitomo F A 10⅞ 90	100	108⅛	+0⅛	8.37
Sumitomo Fin 11½ 92	150	113⅞	+0⅛	8.67
Sumitomo Fin 12⅜ 91	150	118	+0½	8.58
Sumitomo Trust 12½ 92	100	113⅜	+0⅛	9.25
Sweden 11½ 88	200	110⅛	+0⅛	7.97
Sweden 12⅜ 88	200	110⅞	+0⅛	7.94
Swedish Export 10⅜ 88	100	104⅞	+0⅛	9.83
Swedish Export 11½ 89	100	108½	+0⅛	7.89
Swedish Export 12⅜ 89	100	110⅜	+0⅛	8.88
Taiyo Kobe 11⅞ 90	100	109⅝	+1	8.86
Taiyo Kobe 12 90	100	104⅝	−7	10.61
Tenneco Corp 11½ 89	150	104⅜	−0⅛	9.28
Texaco Capital 10½ 90	200	97⅜	−0⅛	11.29
Texaco Capital 11⅛ 95	250	100⅜	+0⅛	11.00
Texaco Capital 13½ 89	200	104⅜	+0⅛	11.62
Texas Instru 11⅞ 91	150	106⅞	+0½	9.38
Tokai Asia 12⅜ 91	100	113	+0⅞	8.68
Tokyo Elec Pr 13½ 89	100	112	+0⅛	8.77
Tokyo Metrop 12⅞ 94	50	119⅜	+1	9.36
Toray Inds 11⅛ 92	50	109⅛	+0⅛	9.15
Toronto-Dom 12⅛ 89	50	109⅞	−0⅛	8.84
UBS 12⅜ 91	100	108½	−0⅞	9.98
Utd Tech 11⅜ 92	150	109⅛	+0⅛	8.95
Veba 8 93	70	229	0	0.00
West LB 11⅞ 90	100	111⅛	+0⅝	8.61
Westpac 12⅜ 92	100	114⅞	+0½	9.08
Weyerhaeuser 11½ 90	60	104⅞	+0½	10.04
World Bank 11 92	300	112⅜	+1⅛	8.17
World Bank 11⅜ 90	200	111⅛	+1⅛	8.01
World Bank 11⅜ 89	200	108	+0½	7.83
World Bank 12 93	200	118⅜	+1	8.48
World Bank 12⅜ 94	150	121⅛	+1½	8.51
World Bank 12⅞ 94	200	124⅜	+1	8.58
Yasuda Trust 12½ 88	100	110⅛	+0½	8.07

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
African Dev Bk ⅛ 98	100	100⅛	0	9⅝
Allied Irish ½†	100	98	0	7⅛
Arab Bank Corp ⅛ 98	100	98⅞	+0⅛	7⅜
Banco di Roma ⅛ 89	150	100⅛	+0⅛	7⅞
Bnc di Roma ⅛ 92 CU	75	100	−1⅞	10⅝
Bankamerica O/S ⅛ 96	400	99⅛	+0⅛	7⅞
Bankers Tr NY ⅛ 94	200	100⅛	0	7⅛
Bank of Greece ⅛ 94	150	97⅜	0	6⅞
Bank Montreal ⅛ 94 £	100	100⅛	0	11⅝
Bqe Nat Paris ⅛ 88	400	101⅛	0	8⅛
Bqe Nat Paris ⅛ 95	400	102⅛	0	8⅛
Barclays O/S ⅛ Perp	600	100⅛	0	7⅛
BBL ⅛ 99	100	100	−0⅛	6⅞
BFCE ⅛ 97	400	99⅛	+0⅛	7⅛
BFCE ⅛ 99	600	100⅛	0	7⅛
Belgium ⅛ 04	400	100⅛	+0⅛	7⅛
Belgium 8 0.03 2011	250	100⅛	0	5
CCCE ⅛ 05	200	100⅛	0	7⅛
CEPME ⅛ 96 £	100	100⅛	0	11½
Chase Manhattan ⅛ 09	400	100	0	7⅛

CONVERTIBLE BONDS (continued)	Issued	Price	Chg. on week	Prem.
Elders 11⅛ 94	160	137⅞	+3⅛	−3.80
Elektrowatt 5 98	51	139⅛	−0⅛	−6.17
Fuji Bank 2⅛ 00	100	134⅛	+3⅛	2.95
Fujitsu 3 99	150	117	−4⅛	0.08
Intec Inc 3 99	50	179⅛	−0½	−2.57
Kyowa Hakko 6⅛ 97	40	388	−10⅛	9.59
LASMO 9⅛ 99	44	87⅛	+0⅛	123.50
Moet-Hennessy 7 99	50	154½	−3⅛	−38.74
Murata Mfg 3½ 00	100	152	−6⅛	21.19
Nippon Oil 3⅛ 99	60	165⅝	+1	2.42
Ono Pharm 3⅛ 98	60	188⅞	+1½	−3.82
Soc Gen Surv 4⅞ 94	50	192⅜	+2⅛	−4.75
Sumitomo Corp 2⅞ 99	70	204⅞	−2	−0.03
Texaco Capital 11⅞ 94	1bn	105⅛	−0½	59.25
Texaco Capital 11⅜ 94	500	105⅛	+0⅛	58.66
Tamura Jntendo 5⅛ 96	30	153⅛	−0½	−1.55
Yamaichi Sec 3⅛ 95	20	317½	−6	−2.13

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7⅝ 94	15	107½	−0⅛	6.11
Avon Products 6⅛ 91	25	101½	−0½	6.41
Denmark 6⅜ 92	20	103⅛	−0⅛	6.03
Dow Chemical 7 94	50	101⅞	0	6.73
EDF 6⅞ 95	20	105⅛	−0⅛	5.99
Eurofima 7⅛ 94	10	103½	−0⅛	6.77
Eurofima 6⅜ 92	10	101⅛	−0⅛	6.25
FNMA 6⅞ 92	50	103⅛	−0⅛	6.19
GMAC 6½ 90	25	101½	−0⅛	6.01
Intel 6⅝ 92	12.5	99⅝	−0⅛	6.70
Int-Amer Dev 7⅞ 93	15	103⅞	0	7.17
ITT 6⅜ 92	20	101⅛	+0½	6.39
McDonald Corp 6½ 92	25	102	+0⅛	6.06
New Zealand 7½ 90	15	105⅛	+0⅞	5.61
New Zealand 7⅛ 89	75	105⅛	0	5.62
Pacific Gas & El 7 94	20	102	−0⅛	6.67
Penney J C 6⅜ 92	25	101⅛	+0⅛	6.36
Procter 6⅜ 92	25	103⅛	0	5.95
Sallie Mae 6⅛ 92	25	102⅛	−0½	6.10
TRW 7 94	15	101½	+0⅛	6.75
Utd Technology 6⅜ 92	25	101⅛	+0⅛	6.31
World Bank 7 94	20	107⅛	−0⅛	5.82
World Bank 7⅛ 93	20	110⅛	−0⅛	5.79
World Bank 8 93	20	111⅛	−0½	5.81

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
ASEA 9⅛ 89	600	100⅛	0	9.45
Eurofima 10 94	600	106⅞	0	9.13
E Coal & Steel 10½ 94	1bn	105	0	9.58
Euroinvest Bk 10½ 94	1bn	107	0	9.18
World Bank 10⅛ 89	1bn	105⅛	0	8.24

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 89	200	106⅛	+0⅛	5.98
ABN 7⅛ 89	150	105⅛	+0⅛	6.00
Amro Bank 7⅛ 88	150	102⅛	−0⅛	6.32
Amro Bank 8 89	200	104	−0½	6.34
Bk Mees & Hope 8⅛ 89	100	105⅛	+1	5.91
Beatrice Foods 8⅛ 89	100	104½	+0⅛	6.16
C C Rabo 8 89	150	106⅛	+0⅛	5.96
Denmark 8½ 91	100	108⅛	−0⅛	6.39
Int Stand Elec 8½ 89	100	104⅛	−0⅛	6.62
New Zealand 8⅛ 89	100	105⅛	+0⅛	6.26

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Amex 12⅛ 91	50	105½	+0½	10.83
Aust Resources 11⅞ 92	60	107⅜	+0⅛	9.75
Bank of Tokyo 10⅞ 92	75	102⅞	−0⅛	10.31
Bqe l'Indosuez 14 91	75	112⅛	−0⅛	10.74
Br Col Munic 12⅜ 91	100	108⅜	+0⅛	10.05
Br Col Munic 13½ 91	100	112⅞	+0⅛	10.11
Br Col Tele 12⅜ 89	70	104½	+0⅛	11.53
Farm Cred Corp 12⅜ 90	75	107⅜	0	9.94
Kredietbank 12 92	75	108½	+0½	9.91
Long Term Cred 11⅜ 90	75	106	−0⅛	9.83
Montreal City 12⅜ 91	50	108⅜	+0⅛	9.98
New Brunswick 12 95	75	109⅛	0	10.22

Closing prices on June 20.

CORPORATE FINANCE

How investors see sterling paper market

MUCH OF the initial publicity surrounding the launch of a market in sterling commercial paper has concentrated on the willingness or otherwise of companies to tap the market as borrowers. Little attention has been paid, at least publicly, to the level of investment demand.

Partly, one suspects, that this is for the cynical reason that the last thing any banker wants is to reveal to his competitors exactly how and to whom he plans to distribute paper on his books. Partly, also, it is for the simple reason that he must first find a borrower willing to give him paper to distribute.

Now that the market is getting under way, however, more attention is being paid to the role of investors in this new market. This week Canadian Imperial Bank of Commerce is *publishing the results of a survey* among potential investors which offer some encouraging, and occasionally surprising, insights into the attitude of potential investors.

CIBC asked 350 top corporates, insurance companies and financial institutions about their approach to this market and nearly one-third replied. Of these as many as 80 per cent said they would consider investing in sterling commercial paper, but at this point two curious factors emerge.

The first is that despite the intense marketing campaign mounted by Standard & Poor's and Moody's, the two US credit rating agencies, as many as 65 per cent of potential investors said they saw the absence of rating as no barrier to investment. They said they were much more interested in looking at a borrower's actual size and financial strength as revealed in its stock market capitalisation and profit record.

The second is that respondents were not particularly bothered with the particular interest rate they might expect when buying commercial paper. Of greater importance apparently is the ability of the commercial paper market to offer broken maturities, particularly at the short end of the spectrum, which happen to match an investor's particular needs.

"They like the flexibility of being able to pick up 23-day paper," says Mr Geoffrey Mountford of CIBC, who conducted the survey.

What is clear, however, is that the interest of investors concentrates heavily on very large companies. More than half the respondents said that the borrower would have to have a stock market capitalisation of at least £500m before they would buy its paper and nearly one-quarter wants a capitalisation of at least £1bn. Pre-tax profits of at least £100m were seen as a minimum requirement by 73 per cent of respondents.

Mr Mountford concludes from his survey that long term investor interest in commercial paper is certainly there. As many bankers feel that the recipe for success in a commercial paper market depends almost more in investment demand than on borrower need for finance, this is clearly a positive sign. "I suspect that it could well be that this could bean investor driven market, once the initial flurry dies down," Mr Mountford said.

Before that, however, there are some hurdles to overcome. Among negative factors mentioned by respondents to the survey was the difficulty treasurers expected to face in persuading their boards to allow them to buy paper from, say, a competitor or even from someone whose business was unfamiliar to them.

Another problem is the legal uncertainty facing issuers in the absence of legislative changes which would lift the prospectus requirements on direct issues of commercial paper out of the UK. Investors do not mind buying paper issued by an offshore finance unit, Mr Mountford says, but many companies clearly still find this approach to the market too cumbersome. Much will therefore still depend on the way in which the prospectus rules are changed with the passage of the Financial Services Bill later this year.

Peter Montagnon

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Glory Ltd. ¶‡	50	1993	7	3½	100	Yamaichi Int. (Eur)	3.580
EIB ‡	250	1996	10	7⅝	98⅝	Deutsche Bank Cap. Markets	7.955
Hudson Bay Co. ‡	75	1991	5	10	100	Morgan Stanley Int.	10.090
Prudential Funding ‡	150	1991	5	7¾	100⅞	Prudential Bache Secs. Int.	7.543
DSL ‡	100	1996	10	8⅛	100⅝	Morgan Guaranty	8.032
Banco e Bilbao (a) †‡	150	2001	15	3½bp	100	Sanwa Int.	–
Hill Samuel (b) †‡	100	2016	30	0.5	100	Salomon Bros. Int.	–
American General §	250	2006	20	(6–6½)	100	CSFB	•
DKB ASIA ‡	100	1991	5	8⅛	101½	Dai-ichi Kangyo Int.	7.752
GMAC ‡	200	1994	8	8	100¼	CSFB	7.957
GTE Fin. Corp. ‡	100	1989	3	8	101	S. G. Warburg	7.615
Aetna Life ‡	200	2016	30	7¾	101	CSFB	7.664
Naigai Co. ¶	20	1991	5	(3)	100	Daiwa Europe	•
Metal Box ¶‡	50	1993	7	5⅛	100	Baring Bros.	5.125
Kansallis Osake P. ‡	125	1991	5	8	100¾	Kansallis Banking Corp.	7.888
Bank of China (e) †‡	200	1996	10	1/16	100	Deutsche Bank	–
Noritake ¶	50	1991	5	(2⅞)	100	Yamaichi	•
Mitsui (g) ‡	100	1989	3	3	100⅞	Nomura	2.888
SWISS FRANCS							
Bank of Greece ‡	100	1994	–	5⅝	99½	B.della Svizzera Ital.	5.785
Shinki Enterprises ‡	200max	1993	–	6¼	100	Soditic	6.250
Southmark Corp. ¶‡	200max	1994	–	5½	100	Bqe Paribas (Suisse)	5.500
MVG	12	1996	–	(6⅝)	100	Banque Gutzwiller	•
David Kagler** ‡	150	1991	–	⅞	100	Bqe Paribas (Suisse)	6.875
Tauernkraftwerke A.G.	130	1996	–	(5¼)	•	Crédit Suisse	•
D-MARK							
EIB ‡	300	1996	10	6⅛	99½	Deutsche Bank	6.194
Council of Europe** ‡	150	1994	8	6⅛	100	BHF	6.125
McDermott ‡	100	1991	5	6½	99¾	Deutsche Bank	6.650
Sparekassen Bikuben ‡	100	1992	6	6½	100	Commerzbank	6.500
ENEL ‡	250	1991	5	5⅞	100	West LB	5.875
CANADIAN DOLLARS							
Royal Trust Co. ‡	100	1991	5	9¼	101	UBS	9.400
Canada Trust Co. ‡	50	1991	5	10	101⅛	McCleod Young Weir	9.785
AUSTRALIAN DOLLARS							
Mitsubishi Bk. Aust. ‡	50	1993	7	13	101¼	Morgan Stanley	12.720
Commonwealth Bk. Aust. (d) ‡	75	1990	4	12⅞	101⅜	Orion Royal Bank	12.418
KLM ‡	40	1991	5	12½	101	ABC	12.221
STERLING							
Britannia Bld. Soc. (c) †‡	25	1993	7	⅛	100.05	Hambros Bank	–
Nationwide Bld. Soc. (h) ‡	250	1996	10	10bp	100	Baring Bros.	–
ECUs							
EEC ‡	75	1994	8	7⅛	100	BBL	3.375
Banfo †(f)‡	100	2006	20	1/16	100	Bank of America	–
LIRE							
AT&T	100bn	1993	7	10¼	•	Instituto Banc. San Paolo	•
FRENCH FRANCS							
Nordic Inv. Bank ‡	600	1996	10	7⅞	100¼	Banque Paribas	7.838

*Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. (a) 6m Libor +3½bp for first 6 years, reduced to 1½ for next 6 years and Libor flat for last 3 years. (b) Pays ½pt over 6m Libor for first 5 years, ⅜ pts over next 5 years and ¼pt over last 20 years. (c) ⅛ over 3m Libor. (d) Plus 100m on tap. (e) ⅛ over 6m Libor. (f) 1/16 over 6m Libor. (g) Redemption linked to NYSE composite. (h) 10bp + 3m Libor. Note: Yields are calculated on AIBD basis.

Subscription of 94% for Nedbank share issue

BY OUR FINANCIAL STAFF

NEDBANK, the South African bank which was hit last month by a run of small depositors, has failed to secure a full subscription to its R345m ($140.16m) rights issue.

The issue of deferred ordinary shares was 93.7 per cent subscribed. In the circumstances, this was nonetheless a better result than could have been expected—existing Nedbank shares have persistently traded below the offer level of R6.30 a share, and closed last week at R6.25m.

The remainder of the 54.77m shares, which had been on offer at 60 for every 100 ordinary shares held, will be taken up by the Old Mutual as underwriter, UAL Merchant Bank said in Johannesburg.

Old Mutual group companies will hold some 52 per cent of Nedbank's enlarged capital.

As much as 70 per cent of the proceeds will go towards replacing capital lost by Nedbank in gilts trading and on bad debts, with only R100m allocated to increasing its equity base.

Less than four weeks ago, Nedbank was forced to issue assurances of its financial soundness amid rumours that the Old Mutual was becoming reluctant to retain its commitment to underwriting the rights issue.

This was one factor blamed in causing what the bank, South Africa's third largest described as a "minor" run by individual and small business account holders.

Nedbank shares have recovered from their low for the year of R5.75, but remain well below the 1986 peak of R9.50.

Danzas raises turnover 11.5%

BY JOHN WICKS IN ZURICH

DANZAS, the world's biggest international forwarding agent, has reported a 11.54 per cent rise in unconsolidated turnover to SFr 5.8bn ($3.14bn) last year, against SFr 5.2bn.

The Basle-based parent company, turnover of which accounted for SFr 2.8bn of the group total, boosted gross operating income from SFr 341m to SFr 377m and is to pay a dividend of SFr 60 per share from net profits up from SFr 6.7m to SFr 7.4m. This dividend is not comparable with the 1984 figure due to a restructuring of corporate capital.

Prospects for this year are seen as "favourable." The group as a whole foresees record investments of some SFr 180m, compared with only SFr 58m in 1985.

Significant advance at Piaggio

By Our Rome Correspondent

PIAGGIO, the Italian maker of scooters, mopeds and three-wheelers, last year achieved a significant net profit after three years of break-even.

The company, which has suffered badly from the decline in the European and Italian market for two-wheeled vehicles, had net profits of L17bn ($11.05m) compared with a nominal profit of L765m in 1984.

Sales rose 17 per cent to L663bn. The number of vehicles sold rose by 1.8 per cent from the 553,000 units in 1984, while there was a jump of 56.4 per cent in the sale of components to makers of Piaggio products under licence.

Piaggio has set up joint ventures in the past two years in India and Brazil.

The company came under new management at the beginning of 1984. Mr Giorgio Brazzelli, the new managing director, took the view that the decline in the market was permanent (in 1980 Piaggio sold 937,000 vehicles) and took steps to rationalise the company's structure in order to lower the break-even point.

Piaggio is now to face a new threat with the introduction next month of compulsory wearing of helmets for young riders in Italy. There are fears that the measure will take much of the fun out of riding scooters and mopeds and further reduce sales.

Tosco in talks on sale as earnings recover

BY OUR NEW YORK STAFF

TOSCO, the largest independent refiner on the US West Coast, expects to announce a sharp rebound in its earnings in the current quarter and says that it is holding preliminary discussions which could lead to the sale of the company.

Tosco, which is in serious financial trouble following losses of more than $650m over the past three years, said on Friday that it expects that second quarter net income from operations, excluding any gain from asset sales, will exceed $30m compared with $18m a year earlier.

The company, which lost $55.8m in the first quarter and has a negative net worth, says the result is attributable to "improved refining margins, record refinery runs, lower operating and interest costs."

Tosco, which is based in a Los Angeles suburb, has been in serious financial difficulties for several years, and earlier this year hired Bear Stearns, the New York investment bank, to help it find a buyer for its business.

Its main asset is a modern 110,000 barrel a day refinery near San Francisco.

Tosco has also announced that Mr Mathew Talbot, aged 48, has been replaced as chief executive by Mr Clarence Frame, the company's chairman. Mr Frame praised Mr Talbot at Tosco's annual meeting in California, last Friday. Mr Talbot said he was leaving because his task of reorganising and stabilising the company was nearly complete.

Tosco shares, which traded as high as $45 in 1980, rose by $⅛ to $4⅛ on Friday, valuing the company at $127m.

Evergo wins Chinese Estates

BY OUR FINANCIAL STAFF

CHINESE ESTATES, a Hong Kong property group, has passed into the effective control of Evergo, a manufacturer of fans and heaters which has eliminated two rival suitors and can lay claim to 48.5 per cent of its target.

This followed the withdrawal last week by Shimako Investments, the other remaining contender, of its HK$368m (US$51.69m) bid.

Shimako had won the allegiance of the Chinese Estates board, but has decided to return all acceptances to its own offer. Standard Chartered Asia, Shimako's adviser, said the battle for control thus appeared to be over.

CONSTRUCTION CONTRACTS

Dealing rooms for the City

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

ASHBY AND HORNER can date its first building contract in the City of London back to 1740, and has followed this with a tradition of projects for distinguished clients, including maintenance work at Buckingham Palace, repairing cracked beams in the ballroom of the foreign secretary's residence, mending the masonry domes at the Victoria and Albert Museum, and refurbishing the College of Arms.

But relying on a history of being builders to royalty, aristocracy, and the gentry has not been enough to keep the company competitive. And hence its latest venture, selling dealing rooms to exploit the new market opening up with the Big Bang in the City.

"We have been suffering from increased competition for building work in the City because the dearth of work elsewhere means that people from outside are coming in and competing for what has always been our patch," said managing director Mr Ashley Boddy.

"We felt that dealers' rooms would be an opportunity to make a new impact on the market because nobody else is offering a service like ours. It offers a new direction and will enable us to take advantage of new business with the coming of the Big Bang."

Ashby and Horner has supplied nearly 2,000 dealers desks to more than 60 clients in the past two years, including a £2m dealing room for the Bank of Tokyo. Other customers include the Bank of Havana, Banque Belge, Barclays, Chase Manhattan, Mitsubishi Bank, and Standard Chartered Bank.

It estimates that it already has between 15 and 20 per cent of the £30-£40m a year market for dealing rooms. It now wants to double its share with a new marketing initiative based on a dealing desk showroom at its headquarters in Earl Street, and a service package designed to help clients get new rooms built and installed.

The exhibition is a small simulated dealing room with three desks, each providing different configurations and equipment suitable for various dealing requirements including equities, foreign exchange and Eurobonds.

The company also offers a dealing room installation service, linking up with architects, computer and software specialists, and other necessary services such as cabling contractors.

"Dealers get absolutely paranoid about what system they are using, and we hope this exhibition will give us an opportunity to increase our market penetration as no-one else offers a service like it," said Mr Boddy.

The company estimates that the City will be commissioning between 50 and 70 dealing rooms a year to handle the new markets.

Dublin shopping complex

The British Land Company has placed building contracts worth I£50m (£45.2m) with G. AND T. CRAMPTON for development of the 360,000 sq ft St Stephen's Green shopping centre in the centre of Dublin in association with Power Securities of Dublin.

The four-acre site was previously known as the Lambert Jones and Slazenger site and is situated on the north-west corner of St Stephen's Green at the junction with Grafton Street. The development will include a 700-space multi-storey car park and has been financed locally.

The covered centre is designed to provide retail accommodation on basement, ground, first and second floors in a style sympathetic to the prevailing Georgian and Victorian architecture of St Stephen's Green. Principal feature of the ground floor is the concourse which is around 80 ft wide and will provide the location for single-storey units for smaller-scale and concessionary trading with conventional retail units on the perimeters.

The retail accommodation at the first and second-floor levels is designed along an open-galleried mall to maintain the vistas from the ground floor to the glazed roof 51 ft above ground-floor level. The development also includes a number of unique features such as the mezzanine trading levels at ground and first floor which will give a wide variety of shop-fitting options and the fast-food court at second-floor level which is believed to be the first of its kind in Ireland.

The development provides the logical extension to Grafton Street, the Irish capital's quality shopping location serving the south side of the city: this is underlined by the pre-letting of 100,000 sq ft to Dunnes Stores, a leading Irish independent retailer. The centre is expected to be completed by autumn 1988.

Hounslow office development

Nearly £25m of contracts have been awarded to WIMPEY CONSTRUCTION UK, a subsidiary of George Wimpey, by three development organisations for offices and factory units in the London area. Work has begun on the construction and fitting-out of a £15.3m five-storey office complex in Hounslow, Middlesex, for Wyndham Investments. The development is to consist of three steel-framed blocks with curtain walling and an additional block in reinforced concrete, built about a central atrium which is to be fitted as a reception area with water features. External work includes a new road and landscaping, and completion is scheduled for the beginning of 1988.

In Wood St, London, EC2, the company is building a six-storey office block with basement and rof plant for Eagle Star Properties under a £6.2m contract which is planned for completion in September 1987. The building will have a concrete frame clad in face-bricks with stone dressing, and external works include drainage and car parking within the perimeter of the building.

At Feltham, Middlesex, Wimpey is building four independent factory units with offices attached under a contract worth £3m awarded by Brixton Estates. The factory units will be of steel-frame construction with cape roofing and brick cladding, and the office units of reinforced concrete, with steel deck roofing, curtain walling and brickwork elevations. Work started in January and completion is scheduled for November.

£30m Birmingham hotel plan

TARMAC CONSTRUCTION and the Hyatt International Corporation have signed an agreement for the design and construction of a £30m luxury hotel in Broad St, Birmingham, opposite the proposed convention centre.

The hotel will be a twenty-six-storey tower with restaurants, bars, function rooms, kitchens and hotel administration areas as well as a casino and fitness centre accommodated in the podium at the foot of the tower. A 10-metre-high lobby bar with a glazed roof will form a central feature of this area with main restaurants and function rooms overlooking a water garden adjacent to the canal. Construction will commence in October and the hotel is expected to be open by Christmas 1988.

*

Subsidiaries of FRENCH KIER have been awarded contracts worth over £48m in the last six weeks. Among the awards are two superstores, one for the Dee Corporation in Warrington (£8m) and another for Asda/MFI in Carlisle (£4m). French Kier will begin an office development in Manchester shortly and the extension to the Frenchay District Hospital for the South Western RHA will commence at the end of June. Other awards include a computer centre in Birmingham, a new Thames Magistrates Court in Bow Road for the Metropolitan Police Office and extensions to the facilities at Liverpool Football Club.

G. E. Wallis and Sons, a subsidiary of French Kier, has been awarded six "fast track" refurbishment contracts in London, valued at £4m. They include the extension and refurbishment to Selfridges, a refurbishment in Fetter Lane (£250,000) and a refurbishment for the Continental Bank of Illinois (£250,000). Wallis has also negotiated further contracts at two of its current City "fast track" contracts worth more than £8m. The refurbishment of Sudbury House phase IV, for the CEGB (£4m) and the refurbishment of 1-6 Lombard Street, for Scottish Provident (£4.2m).

*

MILLARD CONTRACTORS, Tipton, has started work on conversion of four blocks of four storey maisonettes into two-storey town houses for Dudley MBC at a cost of £601,000; new garage and ATC accommodation for the TAVR, Wellington, Salop, worth £214,000; demolition and building a shop unit in Rugby for the Prudential Assurance Co for £125,000, and various small works contracts totalling over £420,000 including a warehouse extension for VEW Special Steels, Oldbury, costing £171,000.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

June 23-26
Institute of Leisure and Amenity Management Conference and Exhibition (0491 873558) — Harrogate

June 24-26
Advanced Materials Conference and Exhibition (01-868 4466) — Wembley Conference Centre

June 25-27
Property and Construction Management Exhibition (01-995 8003) — Barbican Centre

June 30-July 3
Royal Show (0203 555100) — Kenilworth

July 1-5
International Production Engineering and Productivity Exhibition and Conference—PEP (01-891 5051) — Olympia

July 8-10
International Satellite and Cable TV Exhibition and Conference—CABLE (01-868 4466) — Met. Exbn. Hall, Brighton

July 8-10
Education, Training and Personnel Development Exhibition and Conference (01-637 2400) — NEC Birmingham

July 14-17
International Water Exhibition and Conference—WORLD WATER (0923 778311) — Olympia

July 15-17
Systems for the City Exhibition (01-868 4466) — Barbican Centre

July 16-18
PC User Show and Conference (01-608 1161) — Olympia

July 20-24
Gift Trade Fair (0282 867153) — Harrogate Exhibition Centre

July 24-27
Acorn Computer User Christmas Show (01-349 4667) — Barbican Centre

July 29-August 3
British Music Fair—MAKING MUSIC (01-385 1200) — Olympia

August 5-10
Women's World Exhibition (0272 215206) — Bristol

August 17-19
International Craft and Hobby Fair (04252 72711) — Wembley Conference Centre

OVERSEAS TRADE FAIRS

June 24-28
Radio and TV Trade Fair (01-734 0543) — Frankfurt

July 7-11
International Powder Metallurgy Exhibition and Conference (01-493 3893) — Dusseldorf

July 21-24
International Laboratory Equipment Exhibition—LABEX (021-705 6707) — Sydney

August 17-23
City Planning Exhibition (021-705 6707) — Xiamen

August 20-23
Office Technology and Computer Exhibition (01-486 1951) — Kuala Lumpur

August 22-31
International Trade Fair (Consumer goods)—INT SKANE-MASSAN (01-486 1951) — Malmo

August 26-28
Finnish Fashion Fair (01-486 1951) — Helsinki

August 31-September 6
International Autumn Fair (01-240 7013) — Leipzig

September 17-24
International Engineering Fair (021-455 9600) — Brno

BUSINESS AND MANAGEMENT CONFERENCES

June 24
FIBEX: Corporate restructuring—for better or worse? — Hotel Inter-Continental, W1

June 25
Dun & Bradstreet: How to handle letters of credit (01-377 4453) — Holiday Inn, London

July 1-3
British Institute of Energy Economics: The future of UK North Sea oil and gas (01-398 5778) — Whitehall

July 2
The Industrial Society: We're making it happen—industry works for people (01-839 4300) — The Royal Albert Hall

July 2-3
International Business Communications: Tax aspects of international treasury management (01-236 4080). — Cafe Royal, W1

July 7-8
City Financial Conferences: The 1986 Insurance Information Exchange (01-242 5275) — Connaught Rooms, WC2

July 7-9
The Institute of Petroleum: Introduction to petroleum economics (01-636 1004) — 61 New Cavendish Street, W1

July 8-9
Crown Eagle: Defence contract management and negotiation (01-242 4111) — The Tower Hotel, E1

July 9-11
HS Conferences: Three days of theft, fraud and negligence (01-935 2382) — Cafe Royal, W1

July 10
The Royal Institute of International Affairs: China's seventh Five Year Plan: an assessment (01-930 2233) — Chatham House, SW1

July 11
University of Cambridge: Water privatisation (0223 335860) — Selwyn College

July 18
Legal Studies and Services: Mergers and acquisitions—strategic tax and accounting issues (01-236 4080) — Royal Lancaster Hotel, W2

August 26-28
FT Conference: World aerospace to the end of the century (01-621 1355) — Hotel Inter-Continental, W1

September 4-5
Euromoney Conferences: Eurobonds '86 New opportunities in creative markets (01-236 3288) — Grosvenor House, W1

September 8-10
Institute for Personnel Management: Personnel statistics (01-946 9100) — Embassy Hotel, W2

September 8-10
Frost and Sullivan: Introduction to OSI and its support for message handling systems (01-935 4433) — Regent Crest Hotel

September 11
SFS: Stress (01-736 0134) — The Royal Garden Hotel, W8

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

FINANCIAL DIARY FOR THE WEEK

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Asda Property, Ironmonger's Hall, Shaftesbury Place, Barbican, EC, 11.45
Cannon Street Invs, Royal Westminster Hotel, Buckingham Palace Road, SW, 12.00
Dencora, Waveney House Hotel, Puddingmoor, Beccles, Suffolk, 12.00.
Helene of London, Berners Hotel, Berners Street, W, 12.00
Hyman, Belgrade Hotel, Manchester Street, Oldham, 12.00
Microlease, Friary Court, 65, Crutched Friars, EC, 12.00
Rotaflex, Concord House, 241, City Road, EC, 12.00
Wimpey (George), Savoy Hotel, Strand, WC, 12.00

BOARD MEETINGS—
Finals:
Avana
Brown and Tawse
Cropper (James)
First Security
Illingworth Morris
London Inv. Tst.
Volex
Whitecroft
Interims:
Burns-Anderson
Greenwich Cable Communications

DIVIDEND & INTEREST PAYMENTS—
Banco Espir Santo E Com De Lisboa Fltg Rate Nts 1990 $420.24
Ivory and Sime 3.75p
Richards 0.6p
Scandinavian Finance BV Fltg Rate Serial Nts Dec 1993 $413.92
Snowdon and Bridge 1p
Tomkinsons 1.25p

TOMORROW

COMPANY MEETINGS—
Aldcom Intnl, Confederation of British Industry, Centre Point, New Oxford Street, W, 10.00
Air Call, 176-184, Vauxhall Bridge Road, SW, 12.00
Cons Venture Tst, 41, Devonshire Square, EC, 12.00
Early's of Witney, Witney Mill, Witney, Oxfordshire, 2.30
English National Inv, 26, Finsbury Square, EC, 12.00
Foseco Minsep, 1-6, Ely Place, EC, 12.00
Hestair, Dorchester Hotel, Park Lane, W, 12.00
Land Securities, Devonshire House, Piccadilly, W, 12.00
London Atlantic Inv Tst, 91, Waterloo Road, SE, 11.30
New England Props, Bowater House East, 68, Knightsbridge, SW, 2.30
Runciman (Walter), 52, Leadenhall Street, EC, 12.00
W.A. Hldgs, 8, Baker Street, W, 12.00

BOARD MEETINGS—
Finals:
Argyll Group
Ariel Inds.
Brookmount
Channel Tunnel Invs.
Fairbairn
Habit Precision Engineering
Halma
Hambros
Health Care Services
Imperial Continental Gas Assoc.
Mansfield Brewery
Plantation Tst.
Racal Electronics
Rothmans Intl.
Wintrust
Interims:
KLP
LPA Inds.
Nash Inds.
Watson and Philip

DIVIDEND & INTEREST PAYMENTS—
Eastern Produce 7.5p
Grupo Indl Alfa SA Fltg Rate Nts 1988 $255.56
Halliburton 25cts
Korea Exchange Bank Fltg Rate Nts 1993 $417.08
Metropolitan Water Kent Water Works 3pc Db 1½pc
Midland Intern Fin Serv BV Gtd Fltg Rate Nts 1989 $208.54
New Zealand Steel Dev Gtd Fltg Rate Nts 1992 $413.92
Peachey Property 6¼pc 1st Mtg Db 1983-88 3⅛pc
Scottish National Tst 1.7p, 6pcPf 2.1p

WEDNESDAY JUNE 25

COMPANY MEETINGS—
Ambrose Inv Tst, City of London Club, Old Broad Street, EC, 12.30
British and Commonwealth Shipping, Baltic Exchange, 14-20, St Mary Axe, EC, 12.00
British-Borneo Petrol Syndicate, 31 Charles II Street, St James's Square, SW, 12.00
Duport, Midland Hotel, New Street, Birmingham, 12.30
Gerrard and National, 32, Lombard Street, EC, 12.00
Gieves, Brown's Hotel, Dover Street, W, 12.00
Godwin Warren Control Systems, Southgate, Whitefriars, Lewins Mead, Bristol, 12.00
Minty, Peterley Road, Horspath Industrial Estate, Cowley, Oxford, 12.00
Norscot Hotels, Dalmeny Park Hotel, Lochlibo Road, Barrhead, Glasgow, 12.00
Rickmansworth Water, London Road, Rickmansworth, Hertfordshire, 11.45
Securities Tst of Scotland, 29 Charlotte Square, Edinburgh, 12.30
Walker (J. D.), Leicestershire Moat House, Wigston Road, Oadby, Leicester, 12.30
Western Bros, Fairfield Halls, Park Lane, Croydon, 11.00

BOARD MEETINGS—
Finals:
Anderson Strathclyde
Brown and Jackson
Cable and Wireless
Charter Consolidated
ERF
Graycoat
Howard and Wyndham
Jantar
M. K. Electric
Zambia Cons. Copper Mines
Interims:
Barr (A. G.)
Baynes (Charles)
Eldridge Pope
Hardys and Hansons
Mortons
Newman-Tonks

DIVIDEND & INTEREST PAYMENTS—
Ambrose Inv Tst 6.39p
Chesebrough-Pond's 50cts
City of Oxford Inv Tst 5.5p
Cons Venture Tst 0.1p
English National Inv Pfd 5.25p, Dfd 2.8p, 9½pcDb 1991-96 4¾pc
Godwin Warren Control Systems 1.1p
Hercules 44cts
Jantar 2.5p
Moss (Robert) 2.3p

THURSDAY JUNE 26

COMPANY MEETINGS—
Benlox, Dorchester Hotel, Park Lane, W, 12.00
Crowther (John), Great Eastern Hotel, Liverpool Street, EC, 11.00
Eucalyptus Pulp Mills, Johnson House, Wellington Road, Wokingham, Berkshire, 12.00
FR Group, Painters' Hall, 9, Little Trinity Lane, EC, 12.00
Gee (Cecil), Connaught Rooms, Great Queen Street, WC, 3.00
Hay (Norman), Berkeley Arms Hotel, Bath Road, Cranford, Middlesex, 11.00
MacLellan (P. and W.), White Hart Hotel, Bailgate, Lincoln, 12.00
Slingsby (H. C.), Victoria Hotel, Bridge Street, Bradford, 10.30
Smaller Cos Inv Tst, 4, Melville Crescent, Edinburgh, 12.30
Towles, Queens Road, Loughborough, 11.30

BOARD MEETINGS—
Finals:
BPB Inds.
BTP
Burtonwood Brewery
C. H. Inds.
Centrovincial Estates
Hargreaves
Kewill Systems
Latham (James)
Stonehill
Walker and Staff
Wellman
Interims:
Adam Leisure
Bankers Inv. Tst.
Bett Bros.
Chemring
Speyhawk

DIVIDEND & INTEREST PAYMENTS—
Berry Pacific (Sterling) Fd Ptd Pf 14.4p
Cystic Fibrosis Research Inv Tst 5pcDb 1986 2.42465p
Gerrard and National 12.5p
Scottish Mortgage and Tst 5.3p

FRIDAY JUNE 27

COMPANY MEETINGS—
Aberdeen Construction, Station Hotel, Guild Street, Aberdeen, 12.00
Bilton (Percy), Bilton House, Uxbridge Road, Ealing, W, 12.00
Boot (Henry) and Sons, Baldwin's Omega, Brincliffe Hill, Sheffield, 12.00
Harris Queensway, Harris House, 76, High Street, Orpington, Kent, 10.00
Lorin, Harwood Road, Littlehampton, Sussex, 4.30

BOARD MEETINGS—
Finals:
Anchor International Fund
Marston, Thompson and Evershed
Michael (John) Design
Interims:
Clyde Blowers

DIVIDEND & INTEREST PAYMENTS—
African Dev Bank Sub Fltg Rate Nts 1996 $413.92
American Cyanamid 47.5cts
Avon Rubber Pf 2.45p
Bank of Montreal Fltg Rate Dep Nts 1994 $145.72
Bankers Tst Overseas Finance NV Gtd Fltg Rate Sub Nts 1994 $198.06
Black and Decker 16cts
Bosse Massimi Pollitt 3p
Boot (Henry) and Sons 5p
Cramphorn 1.667p
DAKS Simpson 1.75p, A 1.75p
GT Inv Fd 10cts
Girozentrale Und Bank Der Ost Spark Fltg Rate Nts 1991 $19.97
Gleeson (M. J.) 1.65p
Govett Atlantic Inv Tst 1.1p
Govett Enterprise Inv Tst 1.15p
Investors Capital Tst 1.8p
Juliana's 1.2425p
Lex Service 6½pcPf 2.275p, 8½pcLn 1992-97 4¼pc
Metalrax 7½pc Red Pf 2.625p
Notton 0.55p
Scandinavian Finance BV Stlg Rate Nts 1990 £29.46
South Staffordshire Waterworks 3.5pc (Fmly 5pc) 1.75p
Windsor Securities 0.2p
Yorkshire Intnl Finance BV Gtd Fltg Rate Nts 1994 £146.51

SATURDAY JUNE 28

DIVIDEND & INTEREST PAYMENTS—
GKN 6½pcLn 1988-93 3¼pc
Guest Keen and Nettlefolds (UK) 7¼pc Gtd Db 1987-92 3⅝pc, 9¼pc Gtd Db 1991-96 4⅝pc, 10½pc Gtd Db 1990-95 5¼pc, 10¼pc Gtd Db 1992-97 5⅛pc, 6¼pc Gtd Db 1984-89 3⅛pc, 6pc Gtd Db 1984-89 3pc, 6¼pc Gtd Db 1984-1989 3⅛pc, 7½pc Gtd Db 1986-91 3¾pc, 7¼pc Gtd Db 1987-92 3⅝pc
Imperial Cold Storage and Supply 5½pc Pf 2.75cts
Ovenstone Invs 1ct
Rand Mines Props 17cts

SUNDAY JUNE 29

DIVIDEND & INTEREST PAYMENTS—
M and G Japan and Gen Fd Inc Units 1p
New Zealand 14¼pc 1987 (Reg) 7⅛pc

BASE LENDING RATES

	%		%
ABN Bank	10	First Nat. Fin. Corp.	11
Allied Dunbar & Co	10	First Nat. Sec. Ltd	11
Allied Irish Bank	10	• Robert Fleming & Co	10
American Express Bk	10	Robert Fraser & Ptrs	11
Amro Bank	10	Grindlays Bank	‡10
Henry Ansbacher	10	• Guinness Mahon	10
Associates Cap Corp	10	• Hambros Bank	10
Banco de Bilbao	10	Heritable & Gen. Trust	10
Bank Hapoalim	10	• Hill Samuel	§10
Bank Leumi (UK)	10	C. Hoare & Co	10
Bank Credit & Comm	10	Hongkong & Shanghai	10
Bank of Cyprus	10	Knowsley & Co. Ltd	10½
Bank of Ireland	10	Lloyds Bank	10
Bank of India	10	Edward Manson & Co	11
Bank of Scotland	10	Mase Westpac Ltd	10
Banque Belge Ltd	10	Meghraj & Sons Ltd	10
Barclays Bank	10	Midland Bank	10
Beneficial Trust Ltd	11	• Morgan Grenfell	10
Brit. Bk. of Mid. East	10	Mount Credit Corp. Ltd	10
• Brown Shipley	10	National Bk. of Kuwait	10
CL Bank Nederland	10	National Girobank	10
Canada Permanent	10	National Westminster	10
Cayzer Ltd	10	Northern Bank Ltd	10
Cedar Holdings	11	Norwich Gen. Trust	10
• Charterhouse Bank	10	PK Finans. Intl (UK)	11
Citibank NA	10	Provincial Trust Ltd	11
Citibank Savings	¶10.75	R. Raphael & Sons	10
City Merchants Bank	10	Roxburghe Guarantee	11
Clydesdale Bank	10	Royal Bank of Scotland	10
Comm. Bk. N. East	10	Royal Trust Co. Canada	10
Consolidated Credits	10	Standard Chartered	10
Continental Trust Ltd	10	Trustee Savings Bank	10
Co-operative Bank	*10	United Bank of Kuwait	10
The Cyprus Popular Bk	10	United Mizrahi Bank	10
Duncan Lawrie	10	Westpac Banking Corp	10
E. T. Trust	11	Whiteaway Laidlaw	10½
Exeter Trust Ltd	10½	Yorkshire Bank	10
Financial & Gen. Sec.	10		

• Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£25,000+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

Flotation puts £640m value on Morgan Grenfell

THE PROSPECTUS for the flotation of the banking and securities group, Morgan Grenfell, is published today. Morgan Grenfell will float 21.2 per cent of its equity in an offer for sale which will value the bank at £640m.

Since the 1960s, the bank has become increasingly involved in the corporate finance, investment management and eurobond fields, and over recent years has expanded its securities operations in preparation for deregulation in the City of London.

In its last financial year, to December 31, Morgan Grenfell increased pre-tax profits by 42 per cent to £36m on turnover which rose by 48 per cent to £88.9m. The board expects to produce profits of at least £48m in the half year to June 30, with earnings per share of at least 25.4p.

Through the flotation, Morgan Grenfell will release 32m new ordinary shares at 425p a share. The offer for sale will be sponsored by the stockbroker, Cazenove, and will be underwritten by Cazenove and Morgan Grenfell Securities. The application list will open on Thursday and dealings should begin on July 3.

Morgan Grenfell will raise £131m from the flotation, the bulk of which will be used to finance its expansion within the securities field.

● comment

Putting the pricing of Morgan Grenfell out to tender was perhaps an inevitable solution. Once the decision had been reached to look outside the Morgan circle — Willis Faber, the Pru, Deutsche Bank — it would have been asking for trouble to nail the issue to a fixed price. Too stiff a multiple and the issuing house would be accused of taking an excessively proud view of itself — and of fouling up the after-market; if a decent margin was left for stags, the issue might conceivably have flopped, because cautious pricing could easily have been taken for lack of confidence in the business. In practice, Morgan Grenfell seems to be less aggressively priced, at the minimum 425p, than its near namesake Morgan Stanley, though transatlantic comparisons are wildly imprecise, whatever adjustments are attempted. The forecast £48m for the first half of the current Morgan Grenfell year makes it clear that in timing, at any rate, there is little to choose between the two flotations; if this is not the crest of a wave, it looks remarkably like one. With frantic corporate finance activity at the bottom of the strong earnings growth, there could well be some slowing in the second half of this year. Even so, earnings could approach 50p a share, suggesting that applications much below 500p could risk being left on the heap.

Rowe Evans profit setback

Rowe Evans Investments, which is involved with the plantation industry, reports a setback in 1985 results and is cutting the dividend from 2.25p to 1.5p net.

Turnover fell from £4.52m to £2.77m, gross profit to £1.36m (£2.72m), and the share of related companies to £1m (£1.6m), leaving the pre-tax profit down from £3.89m to £2m.

After tax £872,000 (£1.98m) and minorities £124,000 (£148,000) the net attributable profit comes to £1.03m (£1.77m). This gives earnings of 3.52p, compared with last time's 6.05p.

Syltone falls to £0.8m

AS IT warned last month, Syltone's pre-tax profits for the year to March 31, 1986 were substantially down at £802,000, compared with £1.36m last time. As promised, however, the directors are proposing to maintain the final dividend at 6.4p to give a same-again total of 10p.

Directors explain that Drum Engineering was hit by problems on the introduction of new product line, Webster Drives came almost to standstill following three lift accidents in which the company's gear box drives were involved, but were found to be not at fault, and the bad winter weather hit sales of Bradley Doubledeck.

Profits were also reduced by the decision to increase research and product development.

Turnover rose slightly from £19.16m to £20.22m. The tax charge was £202,000 (£291,000) and minorities took £5,000 (£6,000). There was an extraordinary debit this time of £18,000, an unrealised exchange loss of £428,000 (£113,000 profit) and last time there was a consolidated goodwill write-off of £155,000 leaving earnings per share of 14.47p (28.05p).

Chelsea Man to join USM

By Lisa Wood

Chelsea Man, a fashion retailer, is to join the USM by way of placing next Friday, which is likely to raise about £1.5m of new capital and value the group at about £12m.

It will be offering 2.4m shares —22.2 per cent of its enlarged issued share capital, of which 1.2m are being sold by existing investors.

The company, trading under the name of Nickleby's, opened its first shop in Coventry in 1975. It now has six outlets in London's Oxford Street, Leicester, Birmingham, Oxford and Nottingham. Mr Sam George, chairman, who owns all the equity with his brother, originally trained as a precision tool engineer and started in the clothing business as a sales assistant in the Kings Road, London in the early 1970s.

Turnover has increased from £832,000 in 1982 to £3.5m in the year to March 31 1986. Pre-tax profits have increased from £120,000 to £1m.

Chelsea Man has no relationship to Chelsea Girl and has successfully prosecuted against that chain's use of the name Chelsea Man. It intends to open a further six shops in the next three years and then franchise the business.

Sponsor to the issue is Lloyds Merchant Bank and brokers are Albert E. Sharp.

F.T. Share Information

The following securities have been added to the Share Information Service:

Antler (Section: Industrials)
Consolidated Brinco (Oil & Gas)
Eastmet (Mines, Australians)
Invincible Gold (Mines, Australians)
Ipeco Hldgs (Industrials)
Lodge Care (Industrials)
Nationwide Bldg Soc 9¼pc 18/5/87 (Loans, Building Societies)
PacifiCorp (Americans)
Pan Australian Mining (Mines, Australians)
Schroders Non-Voting Ord (Banks)
Splash Products (Industrials)
Technology Project Services (Industrials)
USLIFE Corp (Insurances)
Westbury (Property)

GrandMet denies Bond merger speculation

BY ALICE RAWSTHORN

Grand Metropolitan, the drinks, leisure and brewing group, has denied speculation that it is considering a merger with the Australian leisure group, the Bond Corporation. Nonetheless GrandMet has confirmed that its chairman, Sir Stanley Grinstead, has scheduled a meeting with Bond's chairman, Mr Alan Bond, in London this morning.

A spokesman for GrandMet confirmed that Sir Stanley will meet Mr Bond today, but described the meeting as "purely routine." "The two companies have common interests in the brewing field," he said. "It is pure speculation that GrandMet could be considering mounting a takeover of Bond, or Bond of GrandMet."

Within the brewing sector GrandMet owns the Watney Mann & Truman group in the UK and the Bond Corporation owns the Swan Brewery in Australia.

Throughout this year GrandMet has reduced its brewing interests. Earlier in the year it sold the Stern Brewery in West Germany. Last week it announced plans to withdraw from brewing in continental Europe by unveiling proposals to sell its Maes brewing subsidiary in Belgium to a new joint venture company, partly owned by Maes's management.

GrandMet denies that it is considering the disposal of Watney Mann & Truman, or any other division, to the Bond Corporation. The company has staged an active programme of disposals over recent years, withdrawing from "peripheral" areas of activity, although, according to the spokesman, the only remaining division earmarked for disposal is its US cigarette company, Liggett & Myers.

Over recent weeks the City has rippled with rumours of a possible takeover bid for GrandMet.

Grainger Trust higher

Grainger Trust, the Newcastle-upon-Tyne property investment and trading company, reports an increase from £842,000 to £1.07m in pre-tax profits for the six months to March 31, 1986.

The directors expect to recommend net dividends totalling not less than 7.8p (6.5p) for the year to September 30, and in the meantime are paying an interim of 1.8p (1.5p).

Results include a small contribution from the Owners of the Middlesbrough Estate for the period since February 20, 1986 when the company's offer became unconditional.

The directors say integration of OME with the Grainger group has been completely successful. During the half-year, it purchased a substantial volume of residential property —the main part being in the south.

They expect a satisfactory result for the year as a whole.

Turnover in the opening half was up from £2.64m to £3.3m.

Tax took £452,000 against £371,000, leaving attributable profits of £615,000 (£464,000, which included a minority credit of £7,000). Stated earnings per 25p share advanced from 10.7p to 13.5p.

Brunner Inv.

Net asset value for the Brunner Investment Trust rose to 130.3p as at May 31 1986, compared with 95.9p a year earlier.

In the six months to end-May 1986 net revenue was down at £673,000 (£725,000).

Earnings per share were 1.05p (1.13p) and an interim dividend of 1.1p (1p) is being paid.

Equity & Gen. downturn

In spite of greatly improved results from the motor division, pre-tax profits at Equity and General have dropped from £658,000 to £405,000 in 1985. Turnover came to £22m (£18.3m).

Figures for the year and previous year have been reduced significantly by adjustments and trading in the financial services division. There was severe competition in lease broking and changing to the new mandatory accounting standard practices led to some of the profits being deferred and becoming available over the next few years.

Increased interest charges and, for the first time, a bad debt provision have also played their part.

Earnings come to 1.07p (1.98p) and the final dividend is 0.6p for a same again 0.9p net total.

Thomas Tilling down

Pre-tax profits at Thomas Tilling, a subsidiary of BTR, were down from £128m to £107m in 1985. Turnover increased from £1.53bn to £1.56bn. Operating profit was £5m lower at £106m, and there was a reduction from £21m to £19m from other income.

After tax down from £59m to £14m, unchanged minorities of £1m, and an extraordinary debit of £11m (£5m), attributable profits were £81m compared with £73m.

Dixons questions Woolworth strategy

By Alice Rawsthorn

IN the increasingly acrimonious Woolworth Holdings takeover battle, Dixons, the electrical retailing group bidding for Woolworth, has questioned the financial credibility of the Woolworth board's new Operation Focus strategy, while Woolworth has attacked Dixons's Operation Ramrod strategy.

Dixons criticises the Woolworth board for releasing "very little meaningful information on the financial results of the new strategy" adding that it "finds it difficult to understand how Operation Focus translates into a viable financial package."

Operation Focus, which will be introduced throughout the Woolworth chain in the next year, reorientates the group towards six core merchandising areas. Dixons claims that Operation Focus stores have, thus far, increased sales by eight per cent, a level of increase which will be outweighed by the cost of refurbishment and of recruiting extra sales staff.

"Even if we depreciate the cost of refurbishment over a ten year period it is difficult to see how Operation Focus can improve Woolworth's profitability," said Mr Gerald Corbett, Dixon's corporate finance director.

A spokesman for Woolworth dismissed the Dixon's claims as misleading. "Dixons can only have based these claims on incorrect assumptions as to the structure of our profits and loss account," he said.

Woolworth criticises Dixons's Operation Ramrod strategy — which would convert some Woolworth stores into Dixons or Currys outlets and introduce its electrical goods to others— as "a recipe for disaster."

According to Woolworth, Operation Ramrod would restrict customer flow and reduce profit margins and sales per square foot within the remaining

Dixons' £1.82bn offer for Woolworth closes on July 2. Both sides will spend much of this week making presentations to Woolworth's institutional investors.

BOARD MEETINGS

TODAY	
Interims — Burns-Anderson, Greenwich Cable Communications.	
Finals—Avana, Brown and Tawse, James Cropper, First Security, Illingworth Morris, London Investment Trust, Plantation Trust, Volex, Whitecroft.	
FUTURE DATES	
Interims—	
Clyde Blowers	June 27
Eldridge Pope	June 25
First Leisure	July 18
Speyhawk	June 26
Watson and Philip	July 24
Finals—	
Centrovincial Estates	June 26
DBE Technology	July 1
Habit Precision Engineering	June 24
Health Care Services	June 24
Howard and Wyndham	June 25
Lovell (G. F.)	July 1
Marston, Thompson & Evershed	June 27
REA	June 30
Rothschild (J.)	July 1
Wellman	June 26

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
Abbey Life	July 18	Interim due
*Argyll Group	June 24	Final 4.18
*Associated Newspapers	July 9	Interim 5.5
*Avana	June 23	Final 8.75
*BPB Inds	June 26	Final 4.6
BET	July 18	Final 11.25
BTP	June 18	Final 2.3
Britoil	July 12	Interim 3.3
*Cable and Wireless	June 25	Final 4.9
*Centrovincial Estates	June 26	Final 3.0
*Charter Consd	June 25	Final 7.25
*Daily Mail and Gen Trust	July 10	Interim 15.5
Davy	July 18	Final 2.585
Dowty	July 24	Final 2.8
*Electronic Rentals	July 7	Final 2.085
*Ferranti	July 1	Final 1.04
Fitch Lovell	June 20	Final 6.7
GEC	July 2	Final 2.65
Gestetner	July 18	Interim 0.5
Granada	July 11	Interim 2.53
Great Universal Stores	July 18	Final 11.75
IC Gas	June 27	Final 9.25
Intnl Leisure	July 9	Final due
Lonrho	July 18	Final 4.0
Magnet and Southerns	July 10	Final 2.7
Mercury Int	June 25	Final 16.0
*Northern Foods	July 1	Final 3
*Racal Electronics	June 23	Final 2.268
*Rank Organisation	July 17	Interim 5.5
*Rothschild (J.)	July 1	Final 1.2
*Scottish and Newcastle	July 1	Final 4.19
Thorn EMI	July 5	Final 12.5
*Trusthouse Forte	July 2	Interim 1.27
*Union Discount	July 16	Interim 11.0
*Whitecroft	June 23	Final 5.4

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

Company Notices

SOCIETE GENERALE

French "Société Anonyme"

Capital: French Francs 1,375,000,000

Head Office: 29, boulevard Haussmann, Paris 9ème, France

PARIS B 552 120 222

FIRST NOTICE TO HOLDERS OF FLOATING RATE NOTES 1985-1997 OF U.S. $10,000 EACH AND TO HOLDERS OF 10% NOTES 1985-1992 OF U.S. $10,000 EACH

[illegible]

THE BOARD OF DIRECTORS

ACCOR

Corporation organised under French law (Société Anonyme)

Capital: [illegible]

Head Office: 2, rue de la Mare Neuve, 91021 Evry (France)

Corbeil-Essonnes B 602 036 444

SECOND NOTICE TO HOLDERS OF BONDS 7¾% 1984-1999 OF U.S. $1,000 EACH CONVERTIBLE INTO ORDINARY SHARES OF ACCOR

[illegible]

THE BOARD OF DIRECTORS

LADBROKE INDEX

1,352-1,358 (+4)

Based on FT Index

Tel: 01-427 4411

Granville & Co. Limited

Member of The National Association of Security Dealers and Investment Managers

8 Lovat Lane London EC3R 8BP Telephone 01-621 1212

Capitalisatn. £000's	Company	Price	Change on week	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
4,416	Ass. Brit. Ind. Ord.	131	—	7.3	5.6	8.0	7.5
—	Ass. Brit. Ind. CULS	131xd	—	10.0	7.6	—	—
6,947	Airsprung Group	120	− 5	6.4	5.3	20.0	26.1
750	Armitage and Rhodes	30	+ 2	4.3	14.3	3.7	4.5
67,222	Bardon Hill	178	− 1	4.6	2.6	20.2	18.5
4,267	Bray Technologies	77	+ 2	4.3	5.6	9.1	8.3
280	CCL Ordinary	80	—	2.9	3.6	5.7	8.9
1,075	CCL 11pc Conv. Pref.	86xd	—	15.7	18.3	—	—
10,498	Carborundum Ord.	175	+11	9.1	5.2	8.5	8.7
816	Carborundum 7.5pc Pf.	88xd	—	10.7	12.2	—	—
4,383	Deborah Services	56	—	7.0	12.5	5.8	7.7
3,178	Frederick Parker Group	22½	− ½	—	—	—	—
1,993	George Blair	108	− 2	—	—	4.4	8.0
2,518	Ind. Precision Castings	62	+ 2	3.0	4.8	16.4	13.7
12,748	Isis Group	160	+ 2	15.0	9.4	12.3	18.4
6,145	Jackson Group	118xd	—	6.1	5.2	8.0	7.2
48,748	James Burrough	348xd	+ 3	17.0	4.9	9.8	8.9
3,502	James Burrough 9pc Pf	100	+ 1	12.9	12.9	—	—
5,940	John Howard and Co.	67xd	—	6.0	8.8	—	—
44,814	Minthouse Holding NV	1370	−20	8.7	0.6	45.3	53.7
8,740	Record Ridgway Ord.	380	—	—	—	6.8	11.7
2,403	Record Ridgway 10pcPf	89xd	—	14.1	15.8	—	—
746	Robert Jenkins	73	+ 3	—	—	9.5	20.9
1,800	Scruttons "A"	30	—	—	—	—	7.7
1,363	Torday and Carlisle	80	+ 4	5.7	7.1	4.8	4.9
1,450	Trevian Holdings	320	—	7.9	2.5	6.7	8.8
8,792	Unilock Holdings	58s	—	2.1	3.8	15.2	14.9
22,296	Walter Alexander	172	+ 3	8.6	5.0	9.7	11.9
4,434	W. S. Yeates	190	—	17.4	9.2	19.0	21.1

s=Suspended

FINANCIAL TIMES STOCK INDICES

	June 20	June 19	June 18	June 17	June 16	June 13	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs.	90.32	90.47	90.63	91.03	91.31	91.07	94.51	80.39	127.4	49.18
Fixed interest	96.43	96.61	96.58	96.65	96.84	96.62	97.51	86.55	100.4	50.53
Ordinary	1353.4	1350.0	1340.1	1326.0	1318.6	1313.7	1425.9	1094.3	1425.9	49.4
Gold Mines	213.8	216.7	220.9	207.0	196.2	194.4	357.0	192.2	734.7	43.5
FT-Act All Share	806.60	803.21	797.90	791.78	787.19	781.83	832.39	664.42	832.39	61.92
FT-SE100	1637.2	1629.6	1619.0	1606.3	1603.6	1582.4	1717.6	1370.1	1717.6	986.9

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renun. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§125	F.P.	24/7	141	136	✤Accord Publications 5p	141	+1	R49.1	2.6	3.1	17.8
150	F.P.	30/6	151	138	Alumasc Group	150	....	R5.85	2.5	5.5	10.4
115	F.P.	11/7	180	155	Arlington Sec. 10p	180	..	b1.7	4.3	1.3	24.7
150	F.P.	20/6	161	148	Barker (Charles) 5p	150	....	u3.0	3.1	2.8	16.3
147	F.P.	4/7	140	130	Blick 5p	140	......	R3.4	3.1	3.4	13.4
145	F.P.	25/7	175	160	Bredero Props	163	......	R4.25	2.3	3.7	13.8
§60	F.P.	20/6	61½	54	✤Brit. Isl. Airways 10p	58	+2	bd2.82	2.1	6.4	8.1
§110	F.P.	—	115	108	✤C'bell & Armstrong 5p	110	−5	u3.91	1.9	5.0	14.0
§130	F.P.	4/7	167	150	✤Clarke Hooper 5p	150	....	b2.3	2.9	2.2	22.5
§125	F.P.	6/6	138	123	Comb. Lease Fin 50p	130	....	L1.35	3.9	1.5	18.7
107	F.P.	27/6	131	113	Dalepak Foods 5p	125	−1	R2.3	3.2	2.6	17.0
§155	F.P.	6/6	232	172	✤Davies (D.Y.) 5p	216	..	u3.4	2.7	2.2	23.3
§50	F.P.	11/6	62	50	✤Dean & Bowes 5p	62	..	L2.5	1.5	5.7	16.7
§130	F.P.	6/6	151	133	✤Debtor 10p	136	−1	u4.0	2.7	4.1	12.8
§58	F.P.	4/7	63	59	Denistron Ind 5p	63	......	U1.65	2.1	3.7	16.1
§39	F.P.	27/6	42	32	✤Eadie	42	.. ..	R1.75	2.0	5.9	10.1
120	F.P.	17/7	123	111	Evans Halshaw	123	.. ..	u3.38	3.1	6.6	8.1
140	F.P.	4/7	130	120	✤Fields(Mrs)Inc$0.05	120	.. ..	R04.5c	2.6	2.6	15.2
—	—	—	35	27	German Secs. Warrts	32	.. ..	—	—	—	—
150	F.P.	—	155	150	Guthrie Corp	152	−2	U5.3	2.2	4.9	9.7
140	F.P.	20/6	150	141	Haggas (John) 10p	143	.. ..	u13.0	3.2	3.0	14.8
§85	F.P.	—	93	90	✤Hodgson Hldgs 5p	91	....	R2.13	2.3	3.3	16.5
104	F.P.	—	118	90	Jurys Hotel	106	+4	u3.75	2.1	5.0	11.7
145	F.P.	16/7	130	125	Lopex 5p	130	.. ..	R4.0	2.3	4.3	13.9
§§	F.P.	—	62	49	Merlin Int'l Props	55	....	a0.58	2.0	1.5	40.7
157	F.P.	26/6	157	145	✤Monotype Corpn 10p	154	.. ..	R4.4	1.6	4.0	15.3
165	F.P.	18/6	190	170	P-E International 10p	180	.. ..	1.8	3.4	1.4	29.0
§100	F.P.	27/6	105	103	✤Savage Group 20p	103	−2	R3.0	2.5	4.1	13.6
—	F.P.	—	43	43	Smith Newcourt Warts.	43		—	—	—	—
§40	F.P.	—	42	38	✤Soundtracs 5p	40	+2	61.2	2.8	4.2	11.9
§95	F.P.	—	110	107	✤Task Force 5p	107	−1	R1.78	3.8	2.3	15.8
112	F.P.	—	121	116	Tenby 50p	120	−1	b4.0	2.6	4.7	9.3
§100	F.P.	23/6	102	91	✤Usher (Frank) 5p	91	−1	u4.5	1.9	7.0	10.9
§110	F.P.	26/6	147	123	Worcester 10p	147	+1	u3.91	2.2	3.7	14.5

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
‖	Nil	—	11pm	7pm	Amari 8% Cum. Conv. Red. Pref.	7pm	−1
§99.50	£10	28/8	9¼	9	Bristol Water 9.8% Red Deb '96	9	.. ..
§99.256	£30	29/8	30⅛	27⅞	Brit. Alcan Aluminium 10⅞% Deb. 2011	27⅞	−½
¶¶	F.P.	—	99½	97	Brit. Emp. Secs. 10⅝% Deb. 2011	97½	.. .
§94.203	£25	31/10	25⅝	23⅞	Brixton Est. 9.5% 1st Mort Deb 2026	23⅞	−½
100	£10	14/8	10¼	8¾	Cambridge Water 10% Red Deb '96-98	8¾	.. ...
109.89	£40	29/8	40	37⅜	Estates & Gen. 11¼% 1st Deb. 2018	37⅜	−⅛
§94.45	£30	—	29¾	29⅝	European Inv. Bank 9%Ln 2001	29⅝	.. ..
‖	Nil	4/8	7½pm	6ppm	Friendly Hotels 5% Conv. Cum Red. Pref.	6ppm	−1
97.963	£25	24/10	25⅜	20¼	Gt. Portland 9½% 1st. Mort. Deb. 2016	20¼	−⅛
105.523	£25	21/8	26	20⅛	Land Securities 10% 1st. Mort. Deb.25	20⅛	−⅜
§99.951	£40	14/7	42	37	Lon. Prov. Shop 10% 1st. Mtg. Deb. 2026	37	−½
§99.793	£25	24/9	24⅝	21½	Lon. Shop Prop. 10% 1st. Mort. Deb. 2026	22	..
100	£10	14/8	10¼	8¾	Mid Southern Water 10% Red Deb '95-98	8¾	−¼
—	F.P.	—	100⅛	99⅞	Nationwide 9⅞ 15/6/87	99⅞	.. ..
§97.50	F.P.	—	97⅞	97⅛	Paribas Concorde Tst.9.364% Deb. 1991	97⅞	+¼
§99.623	£40	30/6	41¼	36	Peel Hldgs. 9⅞% 1st. Mort. Deb. 2011	36	−⅝
§87.179	£30	26/9	30⅞	28⅛	Portugal 9% Ln. 2016	28⅛	−½
§99.888	£40	1/8	44	39½	Queens Moat 10¼% 1st. Mort. Deb. 2020	39½	−⅝
—	£50	—	45	44½	Smith New Court 12pc Uns. Ln. 2001‡‡	44½	. . .
§99.480	£25	18/7	31⅛	24¾	S E. 10½% Mort. Deb. 2016	24¾	−½
§99.50	£10	28/8	9¼	8½	Sund. & S. Shields Wtr 9.8% Rd Db '96	8½	−¼
§48.835	F.P.	15/8	48¼	47⅛	Tesco 4% Uns Deep Dis Ln 2006	47½	−⅛
¶¶	F.P.	—	125p	112p	Tomkins (F.H.)5.6% Cum. Cnv. Red. Prf	125p	.. .
99.073	£25	8/8	25¾	23⅛	Tops Est. 10¼% 1st. Mort. Deb. 2011/16	23⅛	−⅛
¶¶	F.P.	—	106	104p	Williams Hldgs. 5¼% Cum. Conv. Red. Pref.	106	.... ½
£100	£50	12/9	50¼	47½	Witan Inv. 8½% Deb 2016	47½	−⅛
§100	£10	14/8	10¼	8¾	York Water 10% Red. Deb. 1996/98	8¾	−¼

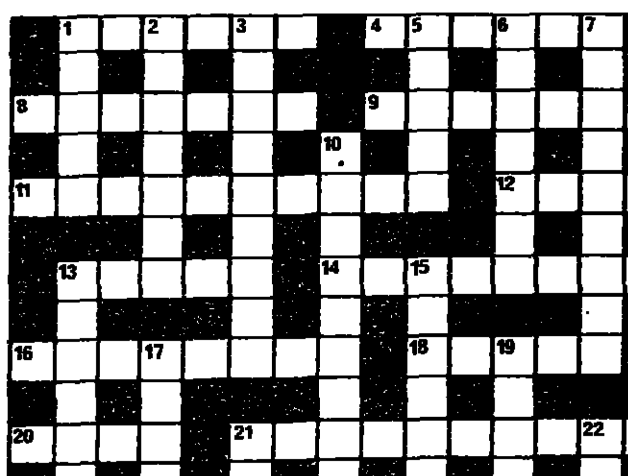
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
355	F.P.	18/7	420	402	Berkeley Group	420	+10
110	F.P.	11/7	139	132	Britannia Arrow	137	+4
190	Nil	8/8	45pm	28pm	Clifford's Dairies	28	......
170	Nil	8/8	27pm	22pm	Do A N/V	22pm	.. .
30	F.P.	18/7	41	34	Feedex Agricultural 10p	37	+1
47	Nil	15/8	11pm	9pm	Five Oaks Invs.	9pm	−1
300	Nil	24/7	45pm	28pm	Gerrard & Natl.	35pm	+2
235	F.P.	18/7	263	240	Lep. Group 2p	245pm	......
235	Nil	11/7	27pm	12pm	McCarthy & Stone 20p	18pm	......
45	Nil	11/7	50pm	43pm	Molynx 20p	45pm	......
200	Nil	18/7	305pm	250pm	Nat West Bank £1	298pm	−5
18	Nil	23/7	5pm	1pm	Neil & Spencer 10p	3pm	−2
2	F.P	15/7	3½	2¼	✤Property Trust 'A' 1p	3½	....
600	F.P	22/7	830	748	Prudential Corp	830	+20
½	Nil	11/7	2½pm	1¼pm	Rotaprint ½p	2½pm	. . .
285	Nil	—	50pm	43pm	Scottish TV 10p	50pm	+5

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987 L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‡‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ✤ Unlisted securities market. †† Dealt in under Rule 535 (3). ♥ Dealt in under 535 (4) (e) †† Official London listing. ‡‡ Including warrants entitlement.

F.T. CROSSWORD NO. 6,054

DANTE



ACROSS

1 and 4 Court official chaired on high (6, 6)
8 and 9 Most train seats may be provided by them (7, 7)
11 and 12 The big fish, by all accounts (3, 4, 3, 4)
13 They have a central meeting place (5)
14 Am as keen to gain a similar title (8)
16 One showing enthusiasm and unusual verve for the dance (8)
18 Blame one put on the head of Dean Swift (5)
20 and 21 Parsee doesn't love the cold (4, 10)
23 and 24 A showplace for a painting largely restored (7, 7)
25 Sepsis may produce such waste matter (6)
26 Novel site for cricket (6)

DOWN

1 Giant bird on a pole (5)
2 Wrote notes to Dante translation (7)
3 and 21 down: Separate complaint departments (9, 5)
5 Designed by Monet, perhaps? (5)
6 Plainly distressed, but retains composure (2, 5)
7 Presented with a cauliflower? How distinguished! (9)
10 A spirit to woo meant victory for Henry (9)
13 Dismayed Israelite producing facts that have to be faced (9)
15 A crazy bounder (5, 4)
17 He follows unusual trend in Dutch province (7)
19 Turns up in chilly surroundings yet well received (7)
21 see 3 down
22 Terminal heart trouble (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)
Wardley House, 7 Devonshire Sq, EC2 01-929 1532

American Tst.	65.4	70.4xd		1.6
Far East & Gn. Tst.	90.2	96.4	+0.5	1.0
Intl. Growth Tst.	66.3	70.6xd	-1.2	0.8
Income Tst.	79.9	86.0	+0.1	5.6
Japan Growth Tst.	108.9	117.2	+1.4	0.2
Small Cos. Tst.	117.1	126.0	-0.3	1.9
Tchnlgy Tst.	33.6	36.1	-0.1	0.2
Australia Trust	43.0	46.2	+0.3	1.8
UK Trust	127.6	135.0xd	-0.4	2.8
European Growth Tst	47.8	50.9	-0.8	1.2
Hong Kong Tst	20.8	22.1	+0.2	1.5

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australian Gold	16.0	17.1	....	0.15
Pacific Basin	14.3	15.2		0.2
Canadian Balncd Grwth	60.7	64.9	+0.6	0.97
Ginnie Mae	98.8	102.9	-0.4	7.9

WestAven Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	56.8	58.4	-	1.50
British Growth (z)	66.2	68.1	+0.4	1.75
British Income (z)	65.0	66.8	+0.5	4.75
British Extra Yield(z)	51.4	52.9	-	6.50

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.2	68.3		0.59
U.S. Govmnt Bond F.	50.516	0.546	+0.041	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Cowdl & Equity Tst	48.6	51.8	-0.7	7.69
Growth Trust	50.8	54.1	+0.2	2.36
Income Trust	55.1	58.7	+0.4	4.98

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	67.3	70.8xd		3.67

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	120.1	127.8xd	+0.5	3.47

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly Sy June 13		105.0	...	—

Cannon Assurance Ltd—Continued

Index	113.4	120.0	:	
Far East	163.7	173.2	+0.3	—
Global	94.9	100.4	-0.2	—
European	95.6	101.2	+0.1	—
Japan	97.6	103.3	+0.2	—
2nd Series Pension Accumulation				
Equity	488.1	516.5	+4.7	—
High Income	321.2	339.9	+2.1	—
Property	276.9	293.0		—
Managed	335.0	354.5	+0.5	—
Deposit	248.1	262.5	....	—
Gilt	256.0	270.9	-0.6	—
American	387.5	410.1	-2.8	—
International Money	254.0	268.8	+0.4	—
Index	124.0	131.2		—
Far East	176.6	186.9	+0.4	—
Global	95.0	100.5	-0.2	—
European	95.9	101.5	+0.2	—
Japan	98.4	104.1	+0.2	—
Other Funds				
Equity Units	66.26		+0.44	—
Property Units	21.11			—
Equity Bond/Exec	41.41	43.82	+0.28	—
Property Bond/Exec	28.46	30.12		—
Balanced Bond/Exec	33.18	35.11	+0.03	—
L&E SIF 1	108.5	115.0	+0.5	—
L&E SIF 2	71.0	75.5	+0.5	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	98.0	104.0	...	—
Risk & Reward Bond	120.0	127.0	..	—
Murray Johnstone Fd	116.0	123.0	..	—
Money Market Fd	99.0	105.0	....	—
Ivory & Sime Pens Fd	94.0	100.0	....	—
Risk & Reward Pens Fd	102.0	108.0	..	—
Murray J'stone Pens Fd	114.0	120.0	..	—
Money Market Pens Fd	99.0	105.0	....	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series				
Property Fund	111.8	117.7		—
Money Fund	218.5	230.0	+0.1	—
Managed Fund	399.5	420.6	+0.3	—
Equity Fund	250.9	264.2	+1.1	—
Fixed Interest Fund	147.9	155.7	-0.1	—
Far East Fund	180.8	190.4	+1.1	—
North American Fund	190.2	200.3	-0.8	—
Natural Resources Fund	131.6	138.6	-0.5	—
S.U.N. Flag Fund	120.6	127.0	-0.5	—
Pension Managed Fund	373.8	393.5	+0.4	—
Pension Equity Fund	241.1	253.8	+0.9	—
PBR Fund	121.0	127.4	+1.1	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds				
Mixed	129.9	136.8	-0.3	—
Equity	152.1	160.2	-0.2	—
Property	107.5	113.2		—
Gilt & Fixed Interest	114.5	120.6	-1.0	—
Indexed Securities	101.6	107.0		—

INSURANCE, OVERSEAS & MONEY FUNDS

World Fund SA
2 Boulevard Royal, Luxembourg
World Fund NAV ... $17.61 ... -0.06 —

World Wide Growth Management◆
10a Boulevard Royal, Luxembourg
Worldwide Gth Fd ... $26.32 ... —
Inv. Adv.: M & G Inv. Mgt. Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Trust ... $15.56 ... —
Dynamic Cash Fd ... $17.90 ... —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund ... $11.66 12.57 ... —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.60		-0.10	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST 01-236 0952				
Call Fund	9.77	7.33	10.15	Mth
7-day Fnd	9.701	7.46	10.49	Mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Call Fnd	9.49	7.07	10.07	6-Mth
7-day Fund	9.62	7.19	10.31	6-Mth
Dollar	5.61	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	9.25	6.60	9.62	Qtr
Aitken Hume 30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc	9.25	6.91	9.44	Qtr
Hi. Int Chq	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int Cheque Acc	10.5	7.85	11.60	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH 01-628 8060				
Money Mkt Cheque Acc	9.25	6.91	10.09	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int Cheque	9.50	7.10	10.333	Qtr
Britannia Investment Services Ltd. 74-78 Finsbury Pavement, EC2A 1JD 01-588 2777				
Caller Allen	9.50	7.10	10.333	Mth
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	9.625	7.19	10.47	Mth
U.S. Dollar	6.25	4.67	6.27	Mth
...	[illegible]			
Provincial Trust 30 Ashley Rd, Altrincham Cheshire 061-928 9011				
High Int Chq Acc	10.25	7.66	11.37	Mth
Royal Bank of Scotland plc 42 St Andrew Sq, Edinburgh EH2 2YE 031-557 0201				
Premium Account	9.50	7.10	10.27	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	9.23	6.90	10.06	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	9.65	7.21	10.44	Qtr
Money Acc	9.53	7.12	10.30	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	8.75	6.54	9.49	Mth
Over £10,000	9.00	6.73	9.77	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL1 5E 0752 24141				
High Int Chq Acc	10.00	7.48	10.83	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	18
BAT	38	Midland Bk	44
BOC Grp	32	NEI	11
BSR	14	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	20	Plessey	20
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect	17
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	48
Bowaters	30	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit Telecom	17	TI	42
Brown (J.)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons	22	Turner Newall	18
Comm Union	28	Unilever	120
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	100	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brit Oil & Min	$2\frac{1}{2}$
Hanson Tst	16	Brit Petroleum	48
Hawker Sidd	52	Burmah Oil	30
ICI	50	Charterhall	3
'Imps'	28	Premier	$3\frac{1}{2}$
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds	60	Lonrho	25
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
	"Shorts" (Lives up to Five Years)				
Apr 29 Oct	Exch. 14pc 1986	101	24.3	13.81	9.60
May 21 Nov	Exch. 2½pc 1986	98	14.4	2.54	6.48
Jul 22 Jan	Exch. 13¼pc 1987	102¼xd	16.6	12.98	9.34
Aug 10 Feb	Treas 10¼pcCv '87	100	6.1	10.20	9.36
Aug 24 Feb	Exch 2½pc 1987	97	20.1	2.58	6.60
Oct 6 Apr	Exch. 10½pc 1987	100	3.3	10.42	9.37
Nov 1 May	Funding 6½pc '85-87‡‡	98	25.3	6.64	8.78
Dec 12 Jne	Treas. 10pc 1987	100	5.5	9.94	9.30
Jan 14 Jly	Treas 3pc 1987	96	9.6	3.12	6.49
May 3 Nov	Treas 12pc 1987	103	28.3	11.61	9.23
Jul 26 Jan	Treas 7¾pc 1985-88‡‡	98xd	19.6	7.88	8.87
Nov 10 May	Exch 10½pc '88	102	3.4	10.26	9.07
Dec 14 Jne	Treas 9¾pc Cv '88	101	8.5	9.65	9.12
	1 Jul Transport 3pc '78-88	93	27.5	3.23	6.70
Apr 25 Oct	Treas. 9½pc '88	100	19.3	9.46	9.28
Aug 22 Feb	Treas 11½pc 1989	105	16.1	10.95	9.22
Oct 18 Apr	Treas 9½pc Cnv. '89	101	12.3	9.40	9.03
Nov 15 May	Treas 3pc 1989	90	8.4	3.32	6.58
Dec 14 Jun	Treas 10½pc 1989	103	8.5	10.16	9.18
Feb 1 Aug	Exch 10pc 1989	101	27.12	9.81	9.28
Mar 29 Sep	Exch 11pc 1989	104	20.2	10.49	9.38
Apr 15 Oct	Treas 5pc 1986-89	92	10.3	5.42	7.61
May 15 Nov	Exch 10¼pcCv '89	105	8.4	9.74	8.42
Jul 15 Jan	Treas 13pc 1990‡‡	111xd	9.6	11.62	8.99
Aug 12 Feb	Exch 11pc 1990‡‡	105	6.1	10.41	9.15
Sep 22 Mar	Exch 12¼pc 1990	110	13.2	11.31	9.11
Nov 8 May	Treas. 3pc 1990	88	1.4	3.28	6.28
Dec 15 Jun	Treas. 8¼pc 1987-90‡‡	98	9.5	8.36	8.70
Apr 25 Oct	Treas. 10pcCv 1990	103	19.3	9.67	9.08

AMERICANS—Cont.

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Oc Ja Ap Jy	Campbell Soup 30c	39½	6.1	$1.32	—	2.3
F My Au N	Caterpillar Tractor	33	16.4	50c	—	1.0
Jn Ap Jy Oc	Cenergy Corp. 25c	424p	30.8	4c	—	0.6
Fb My Ag Nv	Chase M'hatn $12.5	27	25.4	$2.05	—	5.0
Ap Jy Oc Ja	Chemical New York	33	10.6	$2.60	—	5.3
Mar Jun S D	Chesebrough-Pond's $1	33	30.5	$2.00	—	4.1
Mar Jun S D	Chrysler $6¼	23	10.6	$66.6c	—	1.9
My Au N F	Citicorp $4	38	24.3	$2.26	—	4.0
Fb My Ag Nv	CityFed Fin Corp	11	30.12	40c	—	2.4
F My Au N	Colgate-P. $1	27	22.4	$1.36	—	3.3
Mr Ju Se De	Colt Inds. $1	44	10.6	$2.50	—	3.8
—	Com Freightways $0.625	21	6.5	73.3c	—	2.4
—	Cont'l Illinois Corp $1	440p	—	—	—	—
—	Cont. Illinois Hldgs $1	25p	3'84	—	—	—
—	♦Corporate Data Scnce.	52p	—	—	—	—
Ja Ap Jy Oc	Crown Zell. $5	27	5.12	$1.00	—	2.5
—	Cullinet Silver $0.1	923p	—	—	—	—
—	Damson Oil 40c	67p	—	—	—	—
Mar Jun S D	Dana Corp. $1	22xd	22.5	$1.28	—	3.9
—	Data General	24	—	—	—	—
—	♦Derma-Lock Medicl	13p	—	—	—	—
Mr Jn Sp Dc	Dun & Bradstreet $1	74	17.2	$2.56	—	2.4
F My Au N	Eaton Corpn. 50c	44	30.4	$1.60	—	2.4
	For Exxon see Oil and Gas					
MrJnSepDec	FPL Group $0.01	28	27.5	$2.04	—	6.7
—	Fairmont Fin.	19	—	—	—	—
F May Au N	Fin. Corpn. Amer. 50c	541p	25.6	—	—	—
Jan Apr Jly O	First Chicago $5	22	3.6	$1.32	—	4.1
May Jun S D	Ford Motor $2	35	29.4	$2.20	—	4.2
Mar Jun S D	GATX 62½c	22xd	10.6	$1.20	—	3.7
April Oct	Gen. Elect. $1¼	53	3.6	$2.32	—	3.0

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

—		Anglo Utd Dev.	29	—	01.05	♦	5.2
—		Colby Res Corp.	55	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c	165	13.1	Q100c	♦	13.2
—		Emmex Int. Ir10p	31	—	—	—	—
—		Greenwich Res.	97	—	—	—	—
Apr	Oct	Hampton Areas 10p	156	23.12	♦1.0	—	0.9
—		Highwood Res.	238	—	—	—	—
Fb Jun Ag Nv		Homestake Mining $1	£14¼	30.1	Q20c	—	0.9
—		McFinley Red Lake	205	—	—	—	—
—		Muzo Explorations	225	—	—	—	—
—		New Sabina Res C$1	35	—	—	—	—
—		Northgate C$1	212	977	—	—	—
Jan.	July	RTZ	618	12.5	22.0	2.8	5.1
Jan	July	Do 9½pc Ln '95-2000	£137½	12.5	Q9½%	15.5	7.1
—		Tara Expln $1	875	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed, dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- $ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♦ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B Fr. Belgian Francs. Fr. French Francs. ☆☆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	118	Fin. 13% 97/02	£121¾	—
Craig & Rose £1	£13	Arnotts	322	
Finlay Pkg 5p	43	CPI Hldgs	45	
Hall (Jos) 25p	810	Carroll Inds	146	+1
IoM Stm. £1	87	Dublin Gas	53	
IRISH		Hall (R & H)	75	
Fund 11¼% 1988	£103¼	Heiton Hldgs	29	
Nat 9¾% 84/89	£101¼	Irish Ropes	107	+2
		Unidare	190	

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INTL. APPOINTMENTS

Bankers Trust succession to chairman set in motion

BY PAUL TAYLOR IN NEW YORK

BANKERS TRUST, the New York-based banking group, has *promoted* Mr Charles S. Sanford from president to deputy chairman. Mr Sanford, aged 49, is *expected to* succeed Mr Alfred Brittain, chairman, when he retires aged 65 in July next year.

The move had been looked for since Mr Sanford became president in 1983, *seemingly as* heir apparent. The banking group, the seventh largest in the US, *has* a reputation for organising smooth and orderly management successions.

The two senior executives have led Bankers Trust's dramatic shift away from consumer banking, a business the group has now all but abandoned, and into the highly profitable merchant banking business, which has helped lift Bankers Trust near to the top of the US bank earnings profitability tables.

Mr Sanford, a soft-spoken, Savannah, Georgia *native, who* joined Bankers Trust in 1962, is widely credited as the architect of the group's *successful* efforts to expand its fee-based business and expand into trad*ing and underwriting* activities. He is an active advocate of the dismantling of the Glass-Steagall Act, which separates commercial banking from the securities industry.

In addition, Bankers Trust has appointed Mr Philip Hampton, 53, as vice chairman. The group says that on Mr Sanford's succeeding to the chairmanship, Mr Hampton, a anaging director, will stand in for Mr San*ford as chief executive in his* absence. Mr Hampton joined Bankers Trust in 1954.

Bankers Trust added that the post of president is not to be filled, "demonstrating the *bank's preference for a flatter* corporate structure than has been traditional in the banking industry" and Bankers Trust's evolution towards a partnership style of management.

Realignment of Manny Hanny jobs

By Our New York Staff

MANUFACTURERS Hanover, the fourth largest US banking group, has announced completion of the realignment of its investment banking sector into seven major business functions, replacing its former structure of seperate divisions, subsidiaries and other operating units.

The banking group said the changes are designed "further to enhance our global capabilities by allowing us to offer the most comprehensive, coordinated range of service to our worldwide customer base," and "reflect a strategy that is market/client driven."

The group named the following seven officers, each with the title of senior managing director and worldwide responsibilities, to head up the major investment banking sector business functions: Mr Donald Layton, asset/liability management, Mr Victor Melune, investment management; Mr Lee Nash, securities sales and trading/treasury management; Mr Michael Neilson, international capital markets; Christine Patton, foreign exchange; Mr Thomas Sandleitner, venture capital; Mr Mark Solow, leveraged financing.

New chief at Partek

By Olli Virtanen in Helsinki

PARTEK, the Finnish multi-branch industrial company has appointed Mr Hans J. Bjornberg *as president and chief executive* officer of the group. He will succeed Mr Sakari T. Lehto, who *is to retire from these posts* next March, but will still act as vice chairman of the board.

Mr Bjornberg is currently vice president of Myllykoski, the Finnish forest industry company.

Truck operations at Ford

FORD MOTOR COMPANY, of Michigan, has appointed Mr Edward E. Hagenlocker as successor to Mr Robert A. Lutz, who left Ford early this month to become an executive vice-*president at Chrysler Corporation,* **reports AP-DJ from Dearborn.**

Mr Hagenlocker, 46, formerly head of the Ford of Brazil unit, was appointed vice president *and general manager of truck* operations. Mr Lutz had the title of executive vice president, with basically the same responsibilities.

Ford also appointed Mr John *P. McTague, who joined the* motor maker last month, as an executive director, vice president of research. Mr McTague, 47, succeeds Mr W. Dale Compton, who has retired.

* * *

MR ROBERT J. NORRIS, 61, has been appointed chief accounting officer and a managing officer of People Express, of New Jersey.

Board battle at Mohawk back in court

BY LOUISE KEHOE IN SAN FRANCISCO

A LEGAL battle over whether two directors of Mohawk Data Sciences (MDS), the financially troubled computer company based in New Jersey, have resigned returns to court today, *as the company seeks to quell* an embarrasing dispute within its directorship and senior *management.*

The move involves Mr Asher B. Edelman, the New York *financier, returning to the* board some two weeks ago after a year's absence, and being elected chairman. The dispute concerns the question of whether "resignations" submitted by Mr Thomas K. Christo, president and chief operating officer of MDS Quantel, Mohawk's sole remaining operating unit, and Mr Francis P. Lucier, formerly the company's chairman, chief executive and president, at a board meeting were formal.

Mr Edelman, who first gained a position on Mohawk's board in October 1984 as a dissident shareholder who threatened an effort to take over the company *if he was* denied a role on its board, oversaw the sale of most of Mohawk's asset. He resigned *from the company* last year because of potential conflicts of interest with Datapoint, his next *investment target. Mr Edelman* is currently chairman of Datapoint Corporation, vice chairman of United *Stockyards*, controlling general partner of Plaza Securities, and a dissident shareholder of Fruehauf Corporation.

At Mohawk, he replaces Mr Matthew E. Tutino, who remains president and chief executive of the company. Also named to MDS's board is Mr Michael D. Brown, a New York lawyer.

The appointments followed contested resignations of two of MDS's three directors, Mr Christo and Mr Lucier. Mr Tutino says they resigned because of "philosophical differences."

The two disagree. They say that their resignations were not formal. Mr Christo says that they gave verbal resignations without an effective date after becoming "exasperated" with Mr Tutino during a "heated" board meeting. Mr Tutino claims, however, that the resignations were effective immediately. A San Fransisco judge lately refused to grant a temporary restraining order to prevent Mohawk from excluding Mr Christo and Mr Lucier from its board.

Mohawk and its former directors will be back in court today with Mr Christo vowing to continue his legal fight to regain his position at Mohawk. Mr Christo's reputation as a remarkably successful lawyer lends substance to his vow.

Before joining Mohawk's board last September, Mr *Christo had reportedly become* a millionaire by suing major US computer vendors. His *clients typically have been small* customers who have complained that their computer systems do *not work as promised. His most* celebrated victory was to win a $11.4m judgment against IBM.

Mr Christo also won his place on Mohawk's board in the courtroom. He won verdicts totaling $10m against the company in two suits. Rather than pay cash, Hohawk offered Mr Christo warants and a place on its board of directors.

UK APPOINTMENTS

Senior position at BOC Group

On October 1 **Mr Desmond H. O'Connell** will become BOC GROUP's group managing director responsible for the gases and health care businesses. He will be based at the group's headquarters at Windlesham, Surrey. Mr O'Connell is currently managing director, health care. He joined The BOC Group in 1960 as group vice president of the US subsidiary Airco, responsible for worldwide health care operations. He was appointed managing director, health care for The BOC Group in 1983.

★

Mr Stuart Hickey has been appointed chairman of SERVISCOPE ELECTRONICS. Mr Hickey has been a main board director of Serviscope's parent Electronic Rentals Group since 1985 when it acquired the Telefusion Group of which he was managing director.

★

Mr Patrick Leventon has joined Clarke Hooper as chief executive of OWLS, the group's design and artwork subsidiary. For the last 10 years he was with Lloyd Ellerton (part of KLP) most recently as its managing director.

★

ARTHUR YOUNG has appointed **Mr Michael Davis** as the firm's national director of business services. He joined the Manchester office in 1980 to establish a business services group. Since then he has been concerned both with the development of the Manchester business services group and with business services nationally.

★

LOWFIELD DISTRIBUTION part of the general products division of Imperial Foods, has promoted **Mr John Toyne** to personnel director. Mr Toyne joined on April 1, assuming full responsibility for personnel matters on June 1 following the retirement of **Mr John Broad.**

★

Mr Michael Finer has been promoted to joint deputy managing director of SKYNET COMPUTER SYSTEMS. *He joined* Skynet in February 1986 as production director. Mr Finer *retains his responsibilities for* production and will work alongside **Mr Gynn Davies**—recently *appointed as deputy managing* director.

★

Dr Michael O'Donnell *is to* become a director of LINKWARD PRODUCTIONS, the *Shepperton-based* production company. Dr. O'Donnell, who has been associated with Linkward since 1979, has presented and written many productions for the company.

★

The Home Secretary has appointed **Mr Norman Ward Jones** as chairman of the GAMING BOARD for a period of three years. Mr Ward-Jones has served as chairman for an interim period since the death of the former chairman, Sir **Anthony Rawlinson** in February.

★

Mr Tony Webb has been appointed the CONFEDERATION OF BRITISH INDUSTRY's director of education, training and technology. He will take over from **Mr Michael Bury**, who is retiring on July 1. Mr Webb was previously deputy director of the CBI's *economic* directorate. Mr Bury will continue as the CBI's consultant on education and training, and as a member of the Manpower Services Commission, until at least the end of 1987.

★

Mr John Fooks, deputy chairman and joint *managing director* of GANAR BOOTH, has been appointed chief executive.

This week in Parliament

TODAY

Commons: Until 7.00 pm Opposition debate on privatisation of the water authorities, in the names of the leaders *of the Liberal and* Social Democratic parties. Second Reading of the Rates Support Grants Bill. Motion on the Lord Chancellor's salary order. Motions *on the Representation of the People* Regulations, the Representation of the People (Scotland) Regulations and the Representation of the People (Northern Ireland) *Regulations.*

Lords: Civic Protection in Peacetime Bill. Third Reading. Road Traffic Regulation (Parking) Bill (Committee). Social Security *Bill (Committee). Air*ports Bill. Third Reading.

Select Committees: Public Accounts. Subject: Vehicle Excise Duty Evasion. Witness: Sir Alan Bailey, Permanent Secretary, Transport Department (Room 16, 4.45 pm). Treasury and Civil Service. Subject: International Credit and Capital Markets. Witnesses: the Bank of England (Room 15, 4.45 pm).

TOMORROW

Commons: Estimates Day. Debate on special employment measures, the long-term unemployed and the MSC corporate plan 1986-1990. *Later a* debate on estimates relating to the Department of the Environment and the Property Services Agency. Remaining stages of the Commonwealth Development Corporation Bill, and the Land Registration Bill.

Lords: *Safety and Sea Bill, Third* Reading. Health Service Joint Consultative Committees (Access of Information) Bill, Third Reading. Children and Young Persons (Amendment) Bill. Report. Consumer Safety (Amendment) Bill (Committee). Wages Bill (Committee). Motions for approval on Representation of the People regulations.

Select Committee: Channel Tunnel *Bill. Subject: Petitions of Kent* County Council and Kent District Council (Grand Committee Room, Westminster Hall, 10.30 am.)

WEDNESDAY

Commons: Opposition Day until 7.00 pm. Debate on the withdrawal of mortgage interest payments protection for the unemployed. Late debate on higher and continuing education. Motions relating to the Firearms (Variation of Fees) Order.

Lords: *Motion to take note of the* statement on the Defence Estimates 1986. Unstarred question on whether the Government has considered pro*posals, including those put forward* by Trinity House, for achieving the aims of the Green Paper on *Maritime* Pilotage without the need for legisla*tion.*

Select Committees: Energy. Subject: Combined heat and power. Witness: The Lead City Consortia; the National Combined Heat and Power Liaison Group; the Electricity Council (Room 13, 10.30 am). Trade and Industry Subject: Post Office monitoring inquiry Witness: National Association of Sub-Postmasters (Room 15, 10.45 am).

Public Accounts. Subject: Management of work at the *Ministry* of Defence research establishments. Witness: Mr Peter Levene, Chief of Defence Procurement (Room 16, 4.15 *pm). Joint Committee, Consolidation* Bills. Parliamentary Constituencies Bill (Lords) (Room 4, 4.45 pm).

THURSDAY

Commons: Completion of the Committee stages of the European Communities (Amendment) Bill.

Lords: *Family Law Bill (Report).* Insolvency Bill (Committee). Company Directors Disqualification Bill (Committee). Wages Bill (Committee). *Horticultural* Development Council Order, 1986. Motion for approval. Protection of Children (Tobacco) Bill (Report). Surrogacy Arrangements (Amendment) Bill (Third Reading).

FRIDAY

Commons: Completion of the Com*mittee stage of the European* Communities (Amendment) Bill.

Lords: Dockyard Services Bill (Report).

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

1986 High	Low	June 20	Price Frs.
[illegible]			
16,200	8,310	Delhaize	13,800
4,940	3,560	EBES	4,400
17,360	10,485	Electrobel	15,025
2,700	1,970	Fabrique Nat	2,300
7,760	3,680	GB Inno BM	7,010
4,525	2,695	GBL (Brux)	3,280
6,800	4,510	Generale Bank	6,010
6,860	4,750	Gevaert	5,780
8,150	5,700	Hoboken	7,800
3,995	2,880	Intercom	3,600
17,500	10,100	Kredietbank	16,250
11,650	9,900	Pan Holding	11,500
8,110	6,050	Petrofina	8,110
26,000	17,200	Royale Belge	24,500
3,270	2,120	Soc. Gen. Belge	2,640
11,600	7,710	Sofina	9,980
8,920	6,050	Solvay	7,850
585	460	Stanwick Intl	460
6,340	4,675	Tractionel	6,500
7,740	5,500	UCB	7,740
6,800	3,705	Wagons Lits	5,170

DENMARK

1986 High	Low	June 20	Price Knr. %
424	315	Andelsbanken	315
670	515	Baltica Skand.	630
348	256	Cop Handelsb'nk	256
470	365	D. Sukkerfab	355
381	298	Danske Bank	298
1,850	1,480	De Danske Luft.	1,650
298	200	East Asiatic	204
1,240	900	Forenede Brygg.	1,120
268	200	Forenede Damp.	200
665	430	GNT Hld.	445xr
820	565	I.S.S.B.	625
845	540	Jyske Bank	540
281	238	Novo Inds*	281
339	256	Privatbanken	256
470	319	Provinsbanken	323
339	288	Smidth (F.L.) B.	270
1,020	825	Sophus Berend.	825
331	250	Superfos	277

FRANCE

1986 High	Low	June 20	Price Frs.
1,630	1,473	Emprunt 4½% 1973	1,560
7,965	7,190	Emprunt 7% 1973	7,721
493	298	Accor	374
845	608	Air Liquide	740
718	508	BIC	675
2,210	1,610	Bongrain	1,805
1,265	909	Bouygues	1,110
4,140	2,730	BSN Gervais	3,525
2,500	1,368	CIT Alcatel	2,160
2,914	2,212	Carrefour	2,788xc
625	458	Club Mediter'n	496.3
1,386	872	Cie Bancaire	1,016
468	347.5	Cofimeg	392
2,625	1,721	Damart	1,990
3,410	2,152	Darty	3,190
1,470	1,050	Dumez S.A	1,310
1,688	877	Eaux (Cie Gen)	1,245
373	196	Elf-Aquitaine	286
2,905	2,000	Essilor	2,530
1,020	714	Gen.Occidentale	910
[illegible]			

SWITZERLAND

1986 High	Low	June 20	Price Frs.
[illegible]			
2,040	1,420	Oer-Buehrle	1,940
495	378	Pirelli	458
13,375	10,200	Sandoz (Br)	11,950
8,030	1,630	Sandoz (Pt Cts)	1,770
900	750	Schindler (PtCts)	750
1,980	1,500	Sika	1,600
7,340	5,900	Surveillance A.	7,340
2,220	1,600	Swissair	1,650
625.5	534	Swiss Bank	541
19,700	13,200	Swiss Reince	17,300
2,750	2,340	Swiss Volksbk	2,500
5,790	4,850	Union Bank	5,700
6,600	4,620	Winterthur	6,000
8,775	5,750	Zurich Ins	7,675

AUSTRALIA

1986 High	Low	June 20	Price Aust. $
[illegible]			3.55
[illegible]			12.6
[illegible]			3.4
[illegible]			5.12
[illegible]			2.6
[illegible]			1.62
[illegible]			3.6
[illegible]			3.24
[illegible]			9.4
[illegible]			4.3
[illegible]			8.35xr
[illegible]			4.68
[illegible]			2.65
[illegible]			6.6
[illegible]			0.65xr
[illegible]			8.8
[illegible]			7.2
[illegible]			6.3
[illegible]			5.4
[illegible]			8.7
1.24	0.70	Claremont Pet	0.7
6.4	4.1	Coles Myer	5.5
2.50	1.80	Comalco "A"	2.32
0.25	0.14	Consolidated Pet	0.16
2.70	2.1	Costain Aust	2.1
5.02	2.0	Elders IXL	4.75
1.82	1.42	Energ Res	1.6
2.78	2.16	Gen. Prop. Trust	2.62
3.70	3.16	Hardie (James)	3.46
2.12	1.60	Hartogen Energy	1.85
7.10	4.85	Herald W'yTimes	6.4
2.8	2.12	ICI Aust.	2.65
0.24	0.18	Jimberlana F.P.	0.22
0.2	0.14	Kia Ora Gold	0.14
6.6	4.9	Kidston Gold	6.16
9.8	5.74	Lend Lease	9.2
3.12	2.10	MIM	2.16
3.85	3.15	Mayne Nickless	3.2
6.6	4.0	Nat. Aust. Bank	5.8
26.0	9.02	News	21.2
3.80	2.4	Nicholas Kiwi	3.1
1.00	0.65	NorandaP'cP/pd	0.94
2.81	1.70	North Bkn Hill	1.88
1.28	0.73	Oakbridge	0.95
4.0	2.5	Pacific Dunlop	3.42
2.3	1.72	Pancontinental	1.9
3.10	2.62	Pioneer Conc.	2.75
3.07	2.02	Poseidon	3.0
1.80	1.34	Queensland	1.72
4.8	3.9	Reckitt&Colman	4.5
2.35	1.5	Repco	2.35
5.56	3.6	Santos	3.96
5.2	4.2	Smith (Howard)	4.6
4.15	2.18	Thos. Natwide	3.5
6.7	5.2	Tooth	6.0
3.1	1.95	Vamgas	2.85
3.82	3.10	Western Mining	3.18
6.28	4.5	Westpac Bank	4.9
1.2	0.93	Woodside Petrol	0.93
3.65	3.10	Woolworths	3.05
4.75	3.35	Wormald Intl	3.95

GERMANY

1986 High	Low	June 20	Price Dm
360	265	AEG	314
2,875	1,190	Allianz Vers.	2,338
331.8	260.2	BASF	285.7
350	270	Bayer	296
688	516	Bayer-Hypo	567
675	468	Bayer-Verein	545
593	465	BHF-Bank	510
645	483	BMW	591
328	252.5	Brown Boveri	305
377.5	268	Commerzbank	309.5
285	203	Cont'l Gummi	277
1,549.5	1,147	Daimler-Benz	1,389
534	426	Degussa	440.5
240	188	D'sche Babcock	194
920	723.7	Deutsche Bank	787
506	353.5	Dresdner Bank	417.5
543	290	Feld-Muehle	293.5
459	380	Henkel	412
1,050	710	Hochtief	1000
327	264.5	Hoechst	264.5
201	167	Hoesch Werke	180
660	470	Holzmann (P)	525
246	180	Horten	186.5
537	486	Hussel	537
406	318	Karstadt	351.5
492	350	Kaufhof	459.6
[illegible]			

NORWAY

[illegible]

ITALY

1986 High	Low	June 20	Price Lire
[illegible]			
4,780	3,050	Centrale	3,499
16,400	6,160	C.I.R.	12,000
4,590	3,151	Credito Italiano	3,510
15,000	6,531	Fiat	11,455
156,900	75,150	Generali Assicur.	129,008
79,850	48,200	Italcementi	69,600
1,430	920	La Rinascente	1,001
4,533	2,705	Montedison	3,186
18,890	8,710	Olivetti	14,750
8,970	6,065	Pirelli Co	7,150
6,510	3,370	Pirelli Spa	5,048
6,895	4,780	Saipem	5,048
7,650	4,944	Snia BPD	5,080
64,000	24,250	Toro Assic.	25,830

JAPAN

1986 High	Low	June 21	Price Yen
1,970	1,130	Ajinomoto	1,910
1,080	746	All Nippon Air	1,080
2,140	1,550	Alps Electric	1,950
906	735	Asahi Chem	852
1,280	890	Asahi Glass	1,240
865	691	Bank Tokyo	798
742	512	Bridgestone	720
646	540	Brother Inds	645
1,200	950	Canon	1,010
1,840	1,430	Casio Comp	1,560
1,440	921	Chugai Pharm	1,210
1,760	715	Daiei	1,570
1,700	1,460	Dai-Ichi Kan. Bk.	1,670
470	300	Dai Nippon Ink	440
2,000	1,270	Dai Nippon Ptg	1,950
1,500	841	Daiwa House	1,490
1,680	734	Daiwa Sec.	1,650
1,860	1,320	Eisai	1,700
7,750	6,500	Fanuc	6,620
1,700	1,460	Fuji Bank	1,670
2,960	1,650	Fuji Film	2,840
2,070	888	Fujisawa	1,150
1,130	940	Fujitsu	952
455	324	Furukawa Elect.	445
2,440	1,980	Green Cross	2,210
1,120	794	Heiwa Real Est	1,000
920	723	Hitachi	856
1,880	1,150	Hitachi Credit	1,680
1,250	1,020	Honda	1,160
1,650	1,000	Indl. Bk. Japan	1,620
290	150	Ishikawajima Hr.	290
410	333	Isuzu Motors	398
554	413	Itoh (C)	507
4,150	2,950	Ito. Yokado	3,970
13,700	8,600	JAL	10,400
1,590	965	Jusco	1,540
919	463	Kajima	919
1,630	986	Kao Soap	1,560
190	134	Kawasaki Steel	188
1,520	737	Kirin	1,480
197	172	Kobe Steel	190
516	462	Komatsu	490
738	656	Konishiroku	705
415	339	Kubota	380
924	750	Kumagai	825
4,950	4,020	Kyocera	4,000
367	311	Marubeni	367
2,590	1,540	Marui	2,590
416	372	Mazda Motor	396
843	535	Meiji Seika	820
[illegible]			

HONG KONG

1986 High	Low	June 20	Price H.K.$
25.7	18	Bank East Asia	18
6.70	5.15	Cathay Pacific	5.5
22	17.9	Cheung Kong	20.6
17.2	15	China Light	16.1
0.75	0.59	Evergo	0.67
40.4	35	Hang Seng Bank	35
2.20	1.65	Henderson Land	2.16
16.0	11.8	HK China Gas	15.8
9.30	8.3	HK Electric	8.9
7.8	5.2	HK Kowloon Wh.	7.05
6.95	5.5	HK Land	5.85
7.30	6.25	HK Shanghai Bk.	6.85
12.2	9.3	HK Telephone	11.9
31.5	24	Hutchison Wpa.	29.4
14.6	11	Jardine Math	12.6
7.15	5.05	New World Dev.	6.2
13.4	10.6	SHK Props	12.5
1.13	0.8	Shell Elect.	0.8
14.5	9.9	Swire Pac A.	12.4
7.2	5	TV—B	7.15
—	—	Winsor Inds	8.5
2.77	2.07	World Int. Hldgs.	2.42

NETHERLANDS

1986 High	Low	June 20	Price Fls
345	268	ACF Holding	344.5
123.2	99.5	AEGON	110.5
90.2	69.6	Ahold	88.3
181.9	149.4	AKZO	167.6
609.5	537	ABN	578
93.8	73.6	AMEV	80.7
117	94.6	AMRO	106.6
230	195	Bredero Cert.	229
19.9	13	Bos Kalis Westm.	15
185	135	Buehrmann-Tet.	182
33	17.5	Calland Hlgs.	17.9
198	156.8	Dordtsche Pet'm	185
219	154	Elsevier-NDU	208.5
98.5	77.8	Fokker	98.5
304	255	Gist Brocades	294
182.6	150.0	Heineken	170.5xc
118	78.2	Hoogovens	114
75	55.5	Hunter Doug N/V	58
80.5	66.5	Int Mueller	79.8
65.8	46.4	KLM	49
[illegible]			

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

SWEDEN

1986 High	Low	June 19	Price Kronor
[illegible]			
312	194	Electrolux B	379
299	215	Ericsson B	259
570	450	Esselte	565
291	178	Mo och Domsjo	275
252	167	Pharmacia	217
890	495	Saab Scania Free	825
936	575	Sandvik	935
558	330	Skandia	562
389	286	SKF	346
190	136	Sonesson	175
523	157	Stora Kopparbrg	396
380	220	Swedish Match	378
433	300	Volvo B (Free)	412

SPAIN

1986 High	Low	June 20	Price Pts %
[illegible]			
148	82.5	Hidrola	132
201	101.5	Iberduero	179.5
458	172	Petroleos	355.5
228.5	126.5	Telefonica	197.7xr

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Danish Kroner.

CANADA

TORONTO

Closing prices June 20

[illegible]

MONTREAL

Closing prices June 20

[illegible]

Total Sales 2,950,538 shares.

OVER-THE-COUNTER

Nasdaq national market, closing prices June 20

Continued from Page 33

[illegible]

Indices

NEW YORK

DOW JONES	June 20	June 19	June 18	June 17	June 16	1986 High	1986 Low	Since Cmp High	Since Cmp Low
● Industri'ls	1879.54	1855.86	1868.94	1865.78	1871.77	1885.90 6/6	1502.29 22/1	1885.90 6/6/86	41.22 2/7/32
H'me Bnds.	89.86	89.81	89.98	90.06	90.04	91.94 21/4	83.75 14/1	—	—
Transport	778.13	772.75	781.63	785.13	786.63	858.84 31/5	686.97 9/1	858.84 31/5/86	12.32 8/7/32
Utilities	190.49	188.02	189.17	188.52	188.9	193.75 31/5	169.47 22/1	193.75 31/5/86	10.5 8/4/32

●Day's High 1882.85 (1883.12) Low 1847.60 (1851.46)

STANDARD AND POOR'S	June 20	June 19	June 18	June 17	June 16	1986 High	1986 Low	Since Cmp High	Since Cmp Low
Composite ‡	247.56	244.06	244.99	244.56	246.13	247.58 (29/5)	203.49 22/1	247.58 29/5/86	4.40 1/6/32
Industrials	275.76	272.92	274.13	273.6	275.58	277.16 (29/5)	224.88 22/1	277.16 29/5/86	3.62 31/5/32
Financials	28.87	28.52	28.70	28.53	28.90	31.15 (14/3)	25.19 22/1	31.15 14/3/86	8.64 1/10/74
N.Y.S.E. COMPOSITE	141.65	140.2	140.63	140.37	141.17	142.57 29/5	117.75 22/1	142.57 29/5/86	4.46 26/4/4
AMEX MKT VALUE	281.65	281.19	280.61	280.50	281.75	282.65 13/6	240.30 4/2	282.65 13/6/86	29.13 9/12/74
NASDAQ OTC COMP.	396.88	396.4	395.24	396.28	398.54	400.25 6/6	325.81 9/1	400.25 6/6/86	54.87 3/10/74

DIVIDEND YIELDS	June 6	May 30	May 23	May 9	year ago (approx)
Dow Industrial	3.60	3.57	3.57	3.63	4.66
	June 11	June 4	May 28	May 21	
S and P Industrial	2.97	2.95	2.92	3.06	3.77
S and P Ind P/E ratio	17.86	17.91	18.03	17.23	11.64

TRADING ACTIVITY

Millions	June 20	June 19	June 18
Volume †			
New York	149.14	129.61	117.45
Amex	15.09	12.48	12.06
O.T.C.	—	111.25	119.03

New York	June 20	June 19	June 18
Issues Traded	1,964	1,955	1,967
Rises	764	664	668
Falls	880	847	828
Unchanged	320	444	471
New Highs	—	84	57
New Lows	—	19	23

CANADA

TORONTO	June 20	June 19	June 18	June 17	June 16	1986 High	1986 Low
Metals & Minerals	2131.11	2121.06	2151.49	2156.77	2183.85	2442.85 (21/5)	2025.5 (21/5)
Composite	3059.13	3060.2	3066.6	3066.0	3072.2	3123.11 (18/4)	2754.9 (17/2)
MONTREAL Portfolio	1550.01	1547.85	1555.71	1553.25	1559.51	1625.55 (16/4)	1386.99 (22/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Dart & Krft	3,741,900	64¼	+3⅞
Comw Ed.	3,14,200	32⅞	+ ⅜
ATT	2,599,500	25⅞	+ ¼
Eastern Air.	2,483,000	9⅝	[illegible]
Philip Morris	2,226,000	69⅞	+2⅞
Nabisco R.J.	1,740,200	57¼	+2½
IBM	1,634,700	146⅞	+1⅞
Dow Chemical	1,364,800	58	— ⅛
Exxon	1,299,400	61	+ ½
Mobil	1,085,100	31⅝	[illegible]

	June 20	June 19	June 18	June 17	1986 High	1986 Low
AUSTRALIA All Ord. (1/1/80)	1214.7	1210.6	1209.6	1197.1	1247.0 (7/5)	1016.8 (2/1)
Metals & Mnls. (1/1/80)	524.8	527.5	522.0	520.8	602.0 (24/5)	481.1 (20/6)
AUSTRIA Credit Bk Aktien(2/1/62)	118.45	118.25	118.8	(u)	130.68 (25/4)	118.12 (5/5)
BELGIAN Brussels SE (1/1/80)	5920.63	5594.89	5546.35	5522.85	5780.16 (24/4)	2769.91 (15/1)
DENMARK Copenhagen SE (3/1/83)	214.46	215.05	219.85	221.58	250.70 (18/4)	214.27 (21/1)
FRANCE CAC General (31/12/82)	340.80	342.2	344.8	346.1	411.5 (15/5)	287.8 (2/1)
Ind Tendance (31/12/82)	128.10	129.7	130.1	131.7	154.3 (12/5)	101.6 (2/1)
GERMANY FAZ Aktien (31/12/58)	649.72	654.27	675.58	(c)	753.88 (17/4)	618.34 (27/2)
Commerzbank (1/12/53)	1951.3	2001.9	2050.6	(c)	2278.8 (17/4)	1965.5 (27/2)
HONG KONG Hang Seng Bank(31/7/64)	1761.94	1778.29	1788.78	1788.54	1885.95 (7/5)	1559.34 (15/5)
ITALY Banca Comm Ital. (1972)	653.84	668.58	687.94	717.0	988.28 (20/5)	454.87 (24/1)
JAPAN** Nikkei (16/5/49)	17405.15	17277.59	17177.07	17075.89	17405.15 (20/6)	12881.5 (21/1)
Tokyo SE New (4/1/68)	1544.56	1535.5	1528.72	1522.1	1544.56 (20/6)	1025.85 (21/1)
NETHERLANDS ANP.CBS General (1970)	298.6	290.2	290.4	291.6	292.5 (2/6)	240.4 (5/5)
ANP.CBS Indust (1970)	284.5	283.2	283.5	286.0	285.7 (16/6)	234.0 (3/5)
NORWAY Oslo SE (4/1/83)	383.66	383.1	389.11	355.81	402.81 (18/1)	332.25 (20/5)
SINGAPORE Straits Times (30/12/66)	726.41	755.9	746.69	719.83	762.41 (20/6)	565.54 (29/4)
SOUTH AFRICA JSE Gold (28/9/78)	—	1255.7	1258.6	1204.7	1507.9 (27/1)	1109.1 (21/4)
JSE Indust (28/9/78)	—	1147.2	1137.5	1118.9	1203.1 (20/6)	1059.3 (2/1)
SPAIN Madrid SE (30/12/85)	181.99	179.47	177.98	175.84	194.77 (12/5)	100.85 (5/1)
SWEDEN Jacobson & P (31/12/56)	(c)	2446.9	2447.27	2451.78	2451.78 (17/6)	1728.57 (25/1)
SWITZERLAND Swiss BankCpn(31/12/58)	569.6	569.1	585.2	580.7	625.5 (9/1)	554.7 (28/2)
WORLD M.S. Capital Intl. (1/1/70)	—	329.0	328.6	320.9	322.2 (21/4)	249.8 (23/1)

** Saturday June 7. Japan Nikkei (c). TSE (c).

Base value of all indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

Closing prices, June 20

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25¼	12	AAR s	.44	1.9	21	221	23⅜	22¾	22¾	−½
30	21¾	ADT	.92	3.4		223	27⅝	27⅜	27⅜	+¼
31⅛	11½	AFG s			20	612	30⅞	30½	30⅞	
25⅝	13⅜	AGS			16	157	20¼	19¾	19¾	−⅛
15	9⅞	AMCA				55	13	12¾	12¾	+⅛
60⅝	37½	AMR			11	3993	52⅝	51¼	52¼	+⅜
23½	19	ANR pf	2.12	10.		3	21	21	21	−½
12½	7⅝	APL			8	2	11⅛	11	11	
16¾	11⅛	ARX	.71t	5.5	12	55	12⅞	12¾	12⅞	
51⅜	32¾	ASA	2a	6.0		841	34	32⅞	33½	−½
18⅝	10½	AVX			28	340	12⅜	12	12⅛	
32	22⅝	AZP	2.72	9.8	7	995	27¾	27⅜	27⅝	+⅛
50⅝	26⅜	AbtLb s	.84	1.6	25	4733	u51	48½	51	+2⅜
32	19⅝	AccoWd	.56	1.9	20	104	29¼	29¼	29¼	+⅛
17¼	10	AcmeC	.40	3.1		139	13	12¾	12¾	−¼
9¼	7	AcmeE	.32b	4.0	20	2	8	8	8	
20¾	17	AdaEx	1.90e	9.7		230	20½	19½	19½	−⅝
33⅜	15⅛	AdmMl	.40	1.3	14	147	31½	30½	30½	−1
20⅝	10¾	AdvSys	.83t	4.7	9	36	17⅞	17⅝	17⅝	−⅜
32⅞	20⅜	AMD				2339	22⅜	21½	21¾	−⅛
12⅝	8⅛	Adobe n			73	8¼	d	8	8⅛	
18⅜	14⅝	Adob pf	1.84	11.		23	16⅝	16⅜	16⅝	
20¼	15¼	Adob pf	2.40	12.		27	19⅜	19¼	19¼	−⅛
18⅜	7⅜	Advest	.12a	.7	13	298	17⅛	16½	16½	−⅜
68¼	42¼	AetnLf	2.64	4.4	11	2530	60	59½	60	+⅜
57½	51½	AetL pf	4.28e	8.2		651	52⅜	52¼	52⅜	+⅛

Continued on Page 33

NYSE COMPOSITE CLOSING PRICES

Continued from Page 32

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
10⅝	4½	WinterJ.05e	.6	20	345	8⅞	8	8		−¾
54¾	30¾	WiscEP2.68	5.0	13	887	54⅝	54⅛	54⅛		−⅜
27⅜	23¼	WisG pf2.55	9.3		3	27⅜	27⅜	27⅜		
49¾	28⅛	WiscPL2.84	5.8	12	125	49¼	48	49⅛		+⅛
49⅞	35¾	WiscPS2.86	5.8	11	89	49⅞	49⅝	49⅝		−¼
56⅝	33	Witco 1.48	2.8	13	89	54⅜	53⅝	53⅝		−⅝
14	10	WolvrW.24	2.2	22	618	11¼	10⅞	10⅞		−¼
48	21⅝	Wlwth s1.12	2.5	16	1599	45½	44⅞	45½		+¾
5⅝	3	WrldAr			40	4⅛	3⅞	3⅞		
45⅞	22¼	Wrigly s .96	2.3	19	487	41	39¾	41		+1⅜
4⅛	2⅝	Wurltzr			161	3¼	3	3¼		+¼
17½	10½	WyleLb .32	2.6	38	139	13	12¼	12¼		−¾
25¾	15	Wynns .60	2.6		219	24⅞	23½	23½		−1¼
		X Y Z								
72¼	45¾	Xerox 3	5.4	13	2397	56¼	55½	56		+½
58¼	53¼	Xerox pf5.45	9.8		466	55½	55⅜	55½		
28¾	20⅝	XTRA .64	2.8		317	23⅞	22⅝	22¾		−1⅛
17⅝	13½	Yorkin n			170	17	16¾	16⅞		+⅛
38	26¼	ZaleCp 1.32	3.6		133	37	36⅝	36¾		+¼
10¾	3½	Zapata .03j			807	4⅜	4⅛	4⅛		
84½	47¾	Zayre .64	.8	26	1835	84	83¼	84		+¾
42½	23⅞	Zayre wi			3	42½	42½	42½		
17	11⅛	Zemex .40	2.9	14	1	13⅞	13⅞	13⅞		−⅛
29⅞	16¼	ZenithE			2127	23⅞	23⅜	23½		−¾
18⅞	8⅝	ZenLb s		22	1016	17⅛	16⅝	16⅝		−⅜
23⅜	14	Zero s .29	1.6	18	74	18⅜	18⅛	18⅛		−¼
45¾	32¼	Zurnin 1.32	3.6	13	162	37⅛	36½	37⅛		

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, June 20

OVER-THE-COUNTER

Nasdaq national market, closing prices June 20

Continued on Page 31

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Mixed week for the dollar

BY COLIN MILLHAM

The dollar tended to improve last week, as the prospects for lower US interest rates faded. On Monday the dollar weakened on news from West Germany. The narrow victory of the Christian Democrats in the Lower Saxony state election, at the weekend, appeared to improve the chances of the biggest party in West Germany's ruling coalition of remaining in Government at the Federal elections next January.

The strength of the D-Mark pushed the dollar down to a low of DM 2.190. But dealers are nervous of intervention by the German Bundesbank at levels below DM 2.20, and the dollar began to recover.

It may also be questioned whether the Government in Tokyo would be happy to see the dollar below Y165 ahead of the Japanese election on July 6.

US economic statistics were mixed, but overall expectations of lower US interest rates faded. Housing starts in May fell by a surprising 7.4 per cent, but personal consumption in the same month rose by a larger than expected 0.9 per cent. US first quarter gross national product growth was revised down to 2.9 per cent from 3.7 per cent, but this was regarded as largely of historic interest. Attention is now focused on the second quarter, when growth is expected to be sluggish, as a result of cut backs in defence spending and a high level of stockbuilding in the first quarter.

The rise of 0.2 per cent in May US consumer prices left year-on-year inflation at 1.6 per cent. This was the first rise after three successive monthly falls, but was widely expected, after the recent rebound in oil prices. Some forecasters were expecting a rising inflation rate of about 1.9 per cent, and although the May figure suggested the downward trend in prices had come to an end, the effect was broadly neutral.

A rise of $3.7bn in weekly M1 money supply was larger than expected and lent support to suggestions that there will be no early cut in the Federal Reserve's discount rate.

Testimony by Mr Paul Volcker, chairman of the Federal Reserve Board, before a Congressional subcommittee gave a similar impression. Mr Volcker warned about rapid monetary expansion, and repeated previous comments about the danger of a downward spiralling dollar.

Overall the market was left with the impression that US interest rates would not be cut, in spite of probable disappointing second quarter growth.

The replacement of Mr Jesus Silva Herzog as Mexican Finance Minister, put some pressure on the dollar around the middle of the week. Mr Herzog had been negotiating with Mexico's creditors about maintaining interest payments on the country's $97bn of foreign debt. His sacking led to fears that Mexico might call a moratorium on its debts, which are causing severe problems, because of the fall in oil prices.

In general foreign exchange trading was quiet, but the South African rand attracted attention, because of the 10th anniversary of the Soweto riots on Monday. But the violence was not as bad as feared, the South African Reserve Bank appeared ready to intervene, and the South African Government announced a R1.2bn package to revive confidence in the economy. The result was an improvement by the financial rand, with the dollar falling to R4.35 from R4.6535.

£ IN NEW YORK

June 20	Close	Prev. close
£ Spot	$1.4995-1.5005	$1.5065-1.5075
1 month	0.37-0.36pm	0.38-0.36pm
3 months	1.04-1.02pm	1.07-1.05pm
12 months	3.40-3.30pm	3.45-3.35pm

Forward premiums and discounts apply to the US dollar

CURRENCY MOVEMENTS

June 20	Bank of England Index	Morgan Guaranty Change %
Sterling	75.7	—15.6
U.S. dollar	116.1	+6.7
Canadian dollar	76.7	—12.2
Austrian schilling	135.6	+7.0
Belgian franc	95.1	—7.5
Danish Kroner	85.4	—1.5
Deutsche mark	134.7	+14.6
Swiss franc	159.1	+17.3
Guilder	124.7	+9.2
French franc	68.9	—13.6
Lire	46.1	—18.0
Yen	205.7	+61.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

June 20	£	$
Arg'tina	1.3205-1.3230	0.8800-0.8810
Aus'alia	2.1690-2.1725	1.4450-1.4460
Brazil	13.77-18.84	20.66-20.79
Finland	7.7915-7.8130	5.1935-5.2025
Greece	210.20-214.71	139.93-142.88
H'kong	11.7145-11.7285	7.8090-7.8100
Iran	119.00*	79.00*
Kuwait	0.4430-0.4440	0.29500-0.29580
Lux'burg	67.70-67.80	45.80-45.85
Malaysia	3.9375-3.9475	2.6235-2.6265
N'Z'land	2.8346-2.8420	1.8870-1.8920
Saudi Ar.	5.6350-5.6405	3.7505-3.7515
Sin'pore	3.3380-3.3445	2.2240-2.2260
S. Af. (Cm)	3.6710-3.7010	2.4540-2.4690
S. Af. (Fn)	6.3920-6.6755	4.2555-4.4448
U.A.E.	5.5170-5.5240	3.6720-3.6740

* Selling rate.
Correction for June 18, Finland $: 5.1960-5.1990.

CURRENCY RATES

June 20	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.774431	0.637627
US $	6½	1.16304	0.957397
Canadian $	8.79	*	1.32962
Austria Sch	4	18.3388	1.32982
Belgian Fr.	8	53.3370	43.9277
Danish Kr.	7	9.68522	7.97511
D'mark	3½	2.60812	2.14888
Guilder	4½	2.93668	2.41906
French Fr.	9½	8.32737	6.86879
Lira	12	1784.55(1)	1473.67
Yen	3½	194.577	160.364
Norway Kr.	8	8.87632	7.30637
Span'h Pta.	—	167.013	137.578
Swedish Kr	8	N.A.	6.91958
Swiss Fr.	4	2.14639	1.76785
Greek Drch	20½	N.A.	135.252
Irish Punt	—	0.861630	0.709445

*C$/SDR rate for June 19: 1.52643.
(1) SDR rate for June 19.

POUND SPOT—FORWARD AGAINST POUND

June 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4970-1.5050	1.4995-1.5005	0.38-0.35c pm	2.92	1.06-1.03 pm	2.81
Canada	2.0825-2.0890	2.0825-2.0835	0.28-0.18c pm	1.33	0.55-0.40 pm	0.91
Nethlnd.	3.78¾-3.80	3.78¾-3.79¾	1⅛-1⅛c pm	3.76	3⅜-3⅛c pm	3.82
Belgium	68.68-68.96	68.70-68.80	18-13c pm	2.71	49-41 pm	2.62
Denmark	12.49-12.52¾	12.49¾-12.50¾	2½-1⅛ore pm	1.86	6¾-4⅞ pm	1.62
Ireland	1.1075-1.1140	1.1105-1.1115	0.10-0.02p pm	0.65	0.20-0.04 pm	0.43
W. Ger.	3.36-3.37¼	3.36¼-3.37¼	1⅝-1⅜pf pm	5.35	4½-4⅛ pm	5.20
Portugal	225.83-227.63	226.00-227.50	90-250c dis	—9.00	245-745 dis	—8.73
Spain	215.59-215.98	215.62-215.98	65-135c dis	—5.56	145-240 dis	—3.57
Italy	2306-2314¾	2307½-2308½	3-8lire dis	—2.86	9-16 dis	—2.17
Norway	11.45-11.49	11.46½-11.47¼	3⅛-4⅞ore dis	—3.99	11¼-12¾ dis	—4.10
France	10.72-10.76¾	10.74-10.75	2⅞-2⅛c pm	2.65	7-6⅛ pm	2.44
Sweden	10.83-10.90	10.88½-10.87½	⅛-1⅛ore dis	—0.82	1½-2⅛ dis	—0.59
Japan	250½-252	251-252	1⅛-1y pm	5.37	3⅛-3⅛ dis	5.17
Austria	23.63-23.67	23.64-23.67	10½-8⅞gro pm	4.88	29-26 pm	4.65
Switz.	2.7640-2.7755	2.7640-2.7740	1⅛-⅞c pm	4.33	3⅛-3 pm	4.51

Belgian rate is for convertible francs. Financial franc 68.40-68.50.
Six-month forward dollar 1.95-1.88c pm. 12-month 3.38-3.29 pm.

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.5000	1.4964	1.4895	1.4810	1.4666
D-Mark	3.3675	3.3525	3.3240	3.2852	3.2188
French Franc	10.7450	10.7216	10.6796	10.6271	10.5492
Swiss Franc	2.7690	2.7596	2.7383	2.7104	2.6538
Japanese Yen	251.50	250.41	248.30	245.54	240.37

EMS EUROPEAN CURRENCY UNIT RATES

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 20	Day's spread	Close
UK†	1.4970-1.5050	1.4995-1.5005
Ireland†	1.3482-1.3528	1.3490-1.3500
Canada	1.3875-1.3908	1.3875-1.3885

EURO-CURRENCY INTEREST RATES

Long-term Eurodollars: two years 7⅝-7⅞ per cent; three years 8⅛-8⅜ per cent; four years 8⅜-8⅝ per cent; five years 8½-8¾ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

NEW YORK

(4 pm)

Prime rate	8.50
Broker loan rate	8.00
Fed funds	6¹¹⁄₁₆
Fed funds at intervention	(—)

Treasury Bills and Bonds

One month	5.82
Two month	6.06
Three month	6.29
Six month	6.44
One year	6.59
Two year	7.05
Three year	7.22
Four year	7.40
Five year	7.47
Seven year	7.59
10 year	7.60
30 year	7.49

MONEY MARKETS

Fading hopes of lower rates

Interest rates had a slightly firmer tone in London last week. Conditions were fairly quiet, with the money market finding credit conditions fairly comfortable around the middle of the week. Large shortage of £1,100m on Monday and £900m on Friday caused no problems, with the discount houses reasonably happy to sell bills to the Bank of England at existing dealing rates.

Hopes of an early cut in UK clearing bank base rates continued to fade. The rise of £1.1bn in the May UK public sector borrowing requirement was slightly lower than expected, and encouraging as far as interest rates were concerned, but was outweighed by other factors. Thursday's final money supply figures for the five weeks to May 21 confirmed M3 growth of 3 per cent, and of 39.1 per cent for the latest three-month period.

UK clearing bank base lending rate, 10 per cent since May 23

In the US, opinion seemed to swing away from an early cut in the discount rate, as Mr Paul Volcker, chairman of the Federal Reserve Board, warned about the consequences of a weaker dollar and of rising money supply growth.

In Paris the Bank of France cut its money market intervention rate ½ per cent to 7 per cent, but the French Finance Ministry said France would not lead in any further round of international rate cuts.

The West German Bundesbank cut its discount rate to 3.5 per cent on March 6, but is reluctant to make any further move. The D-Mark improved slightly in the EMS as a result of the cut in the French intervention rate, but remains technically weak. The Bundesbank is also concerned about money supply growth, and as expected the central bank council left credit policies unchanged last week.

BANK OF ENGLAND TREASURY BILL TENDER

	June 20	June 13
Top Accepted rate of discount	9.5662%	9.4058%
Average rate of discount	9.5550%	9.3522%
Average yield	9.74%	9.56%
Amount on offer at next tender	£100m	£100m

WEEKLY CHANGE IN WORLD INTEREST RATES

FT LONDON INTERBANK FIXING

LONDON MONEY RATES

MONEY RATES

EXCHANGE CROSS RATES

CURRENCY FUTURES

LONDON

CHICAGO